

**MORITO CO., LTD.**

## **8th Mid-term Management Plan Update**

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Prime Market of TSE: 9837

January 2024

Where innovation is the norm

**MORITO**

**Keep making a big difference  
in the world with small parts**

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# **To become a global niche top company**

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What we can do with parts  
we can do for a sustainable society

**Where innovation is the norm**

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# Summary of 8th Mid-term Management Plan Update

## Situational analysis

### <Outcome of initiatives implemented>

1. Improved profit margin as a result of business restructuring
2. Opportunities created and costs cut during the pandemic
3. Improved PBR (see graph on the right)

➔ **Establishing a lean profit structure**  
Initial financial targets to be achieved earlier than projected



### <Issues>

1. Specific growth strategies for each business
2. Investment for future growth
3. Management aiming at PBR of 1 or higher  
→ Realize ROE exceeding cost of equity

## Action plan

### ● Investing with an eye to growth under the next mid-term plan

Boost capital investments, new businesses, and B2C / Build IT infrastructure and invest in human capital / Expand manufacturing function

### ● Growth strategies for existing businesses

Local production for local consumption and Asia strategies / Increase global market share

### ● Moving Rideeco® forward

### 8th Mid-term Management Plan update

- Revised financial targets upward
- Use the run-up to FY2026 to pave the way toward accelerating growth in the future

### Financial targets

[FY2026]

Net sales: 60,000 million JPY

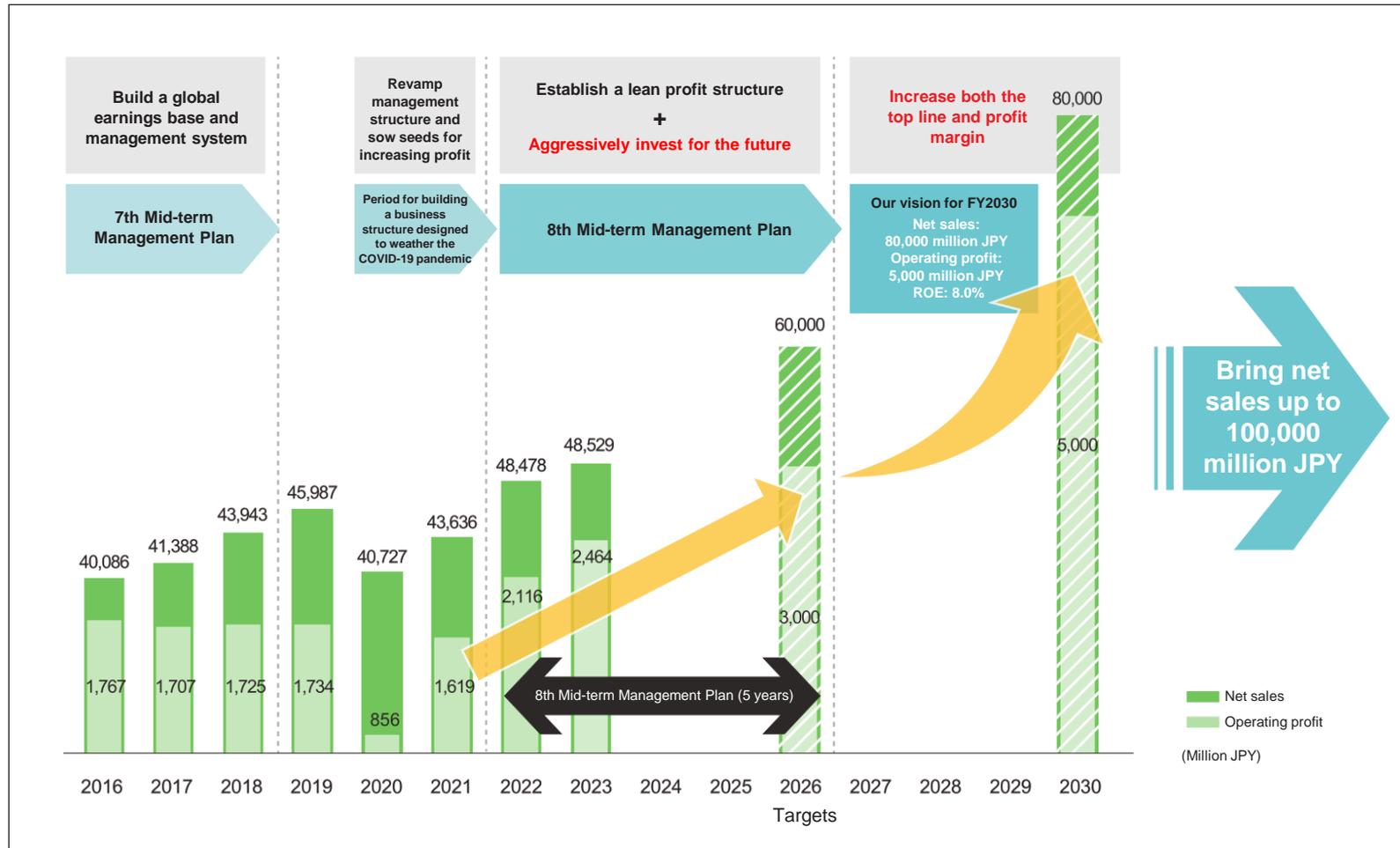
Operating profit: 3,000 million JPY, ROE: 6.5%

[Our vision for FY2030]

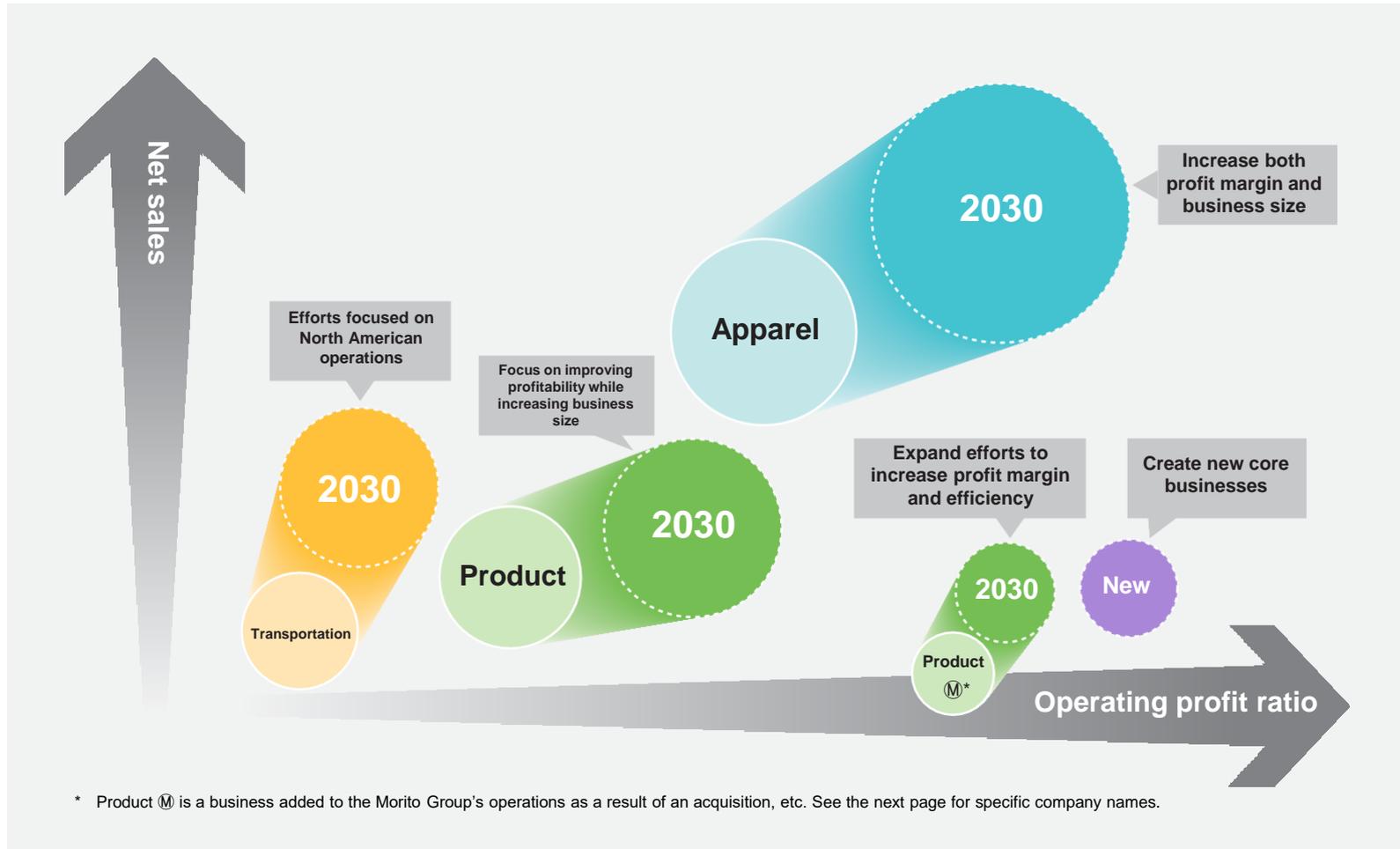
Net sales: 80,000 million JPY

Operating profit: 5,000 million JPY, ROE: 8.0%

# Basic Policy of the Updated Mid-Term Management Plan



# Current Status and Vision for 2030 by Business



# (FYI) Group Companies by Segment

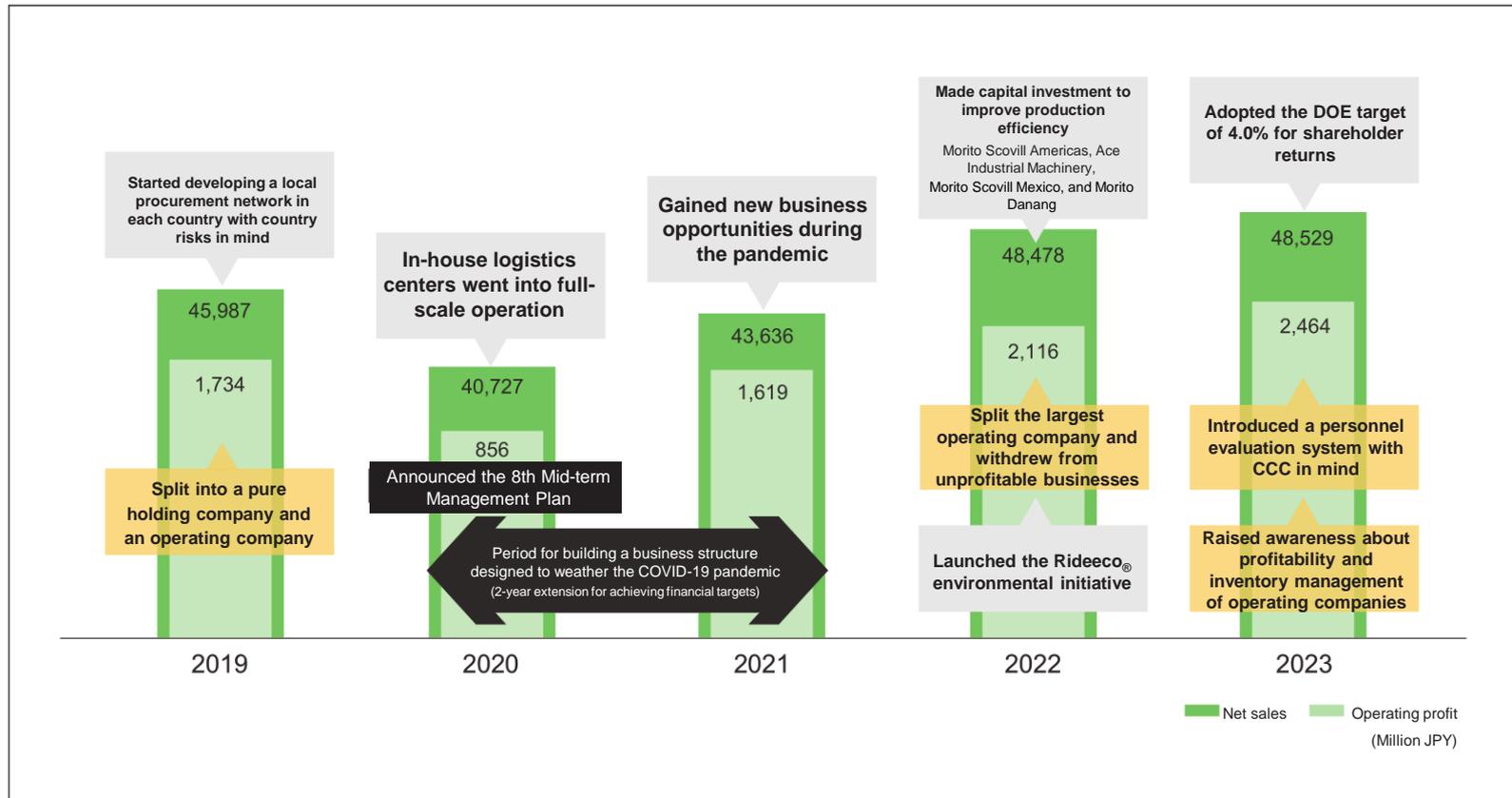
	Apparel Business	Product Business	Transportation Business
Japan	MORITO APPAREL CO., LTD.	MORITO JAPAN CO., LTD.	MORITO AUTO-PARTS CO., LTD.
	MATEX INC.	ACE INDUSTRIAL MACHINERY CO., LTD.	*Product (M)
		MANEUVERLINE CO., LTD.	
		CANVAS CO., LTD.	
Asia	MORITO SCOVILL HONG KONG CO., LTD.		
	MORITO SHANGHAI CO., LTD.		
	MORITO TRADING (THAILAND) CO., LTD.		
	MORITO (SHENZHEN) CO., LTD.		
	MORITO DANANG CO., LTD.		
Europe & the U.S.	MORITO (EUROPE) B.V.		
	MORITO SCOVILL MEXICO S.A. de C.V.		
	MORITO SCOVILL AMERICAS, LLC		MORITO NORTH AMERICA, INC.

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

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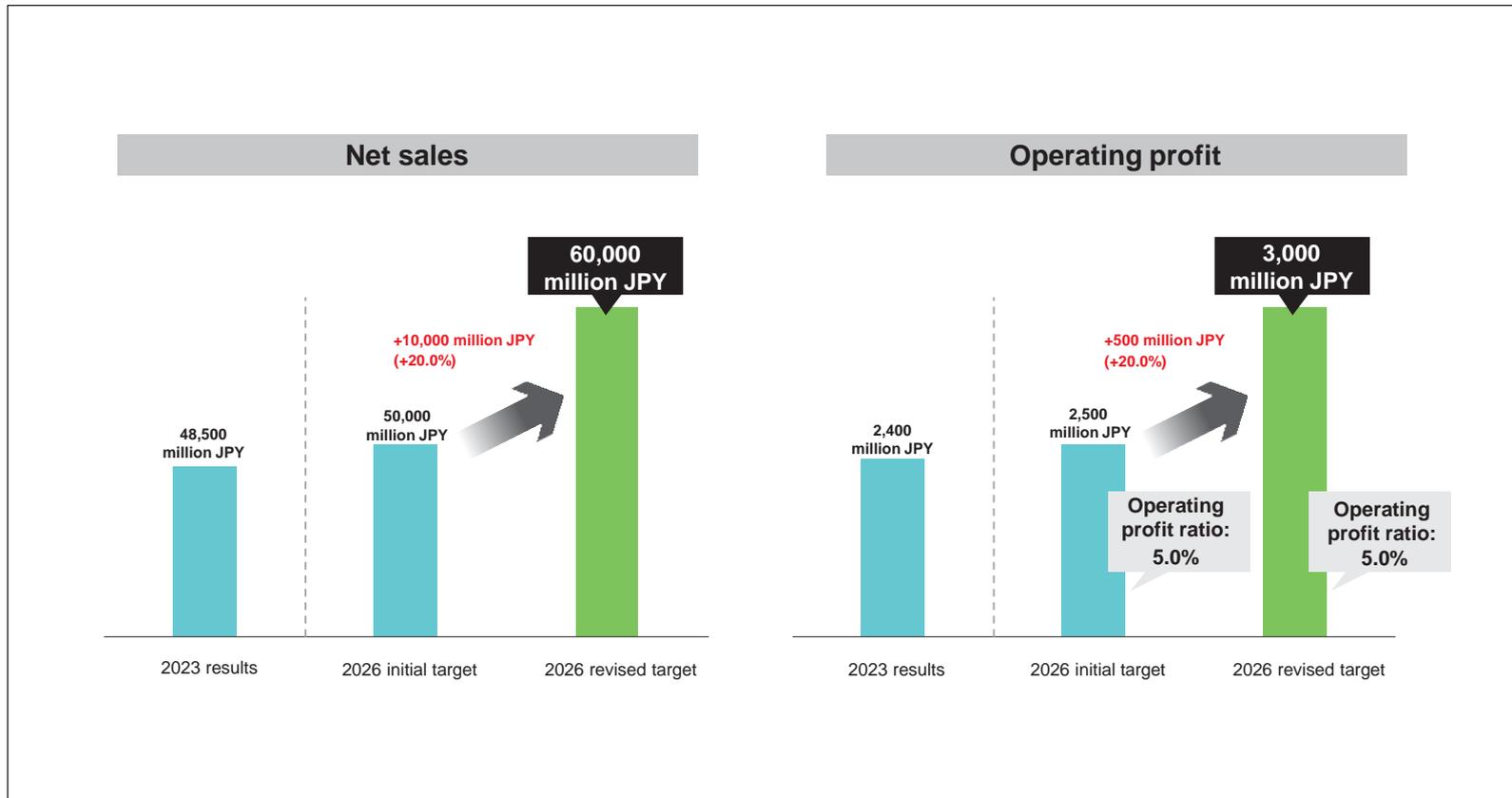
# Efforts over the Past 5 years (FY2019 – FY2023)

Initiatives centered on structural reforms, such as a company split, revived sales and profit margins that had been affected by COVID-19, and we expect to achieve the initial targets of 50,000 million yen in net sales and 2,500 million yen in operating profit earlier than projected.

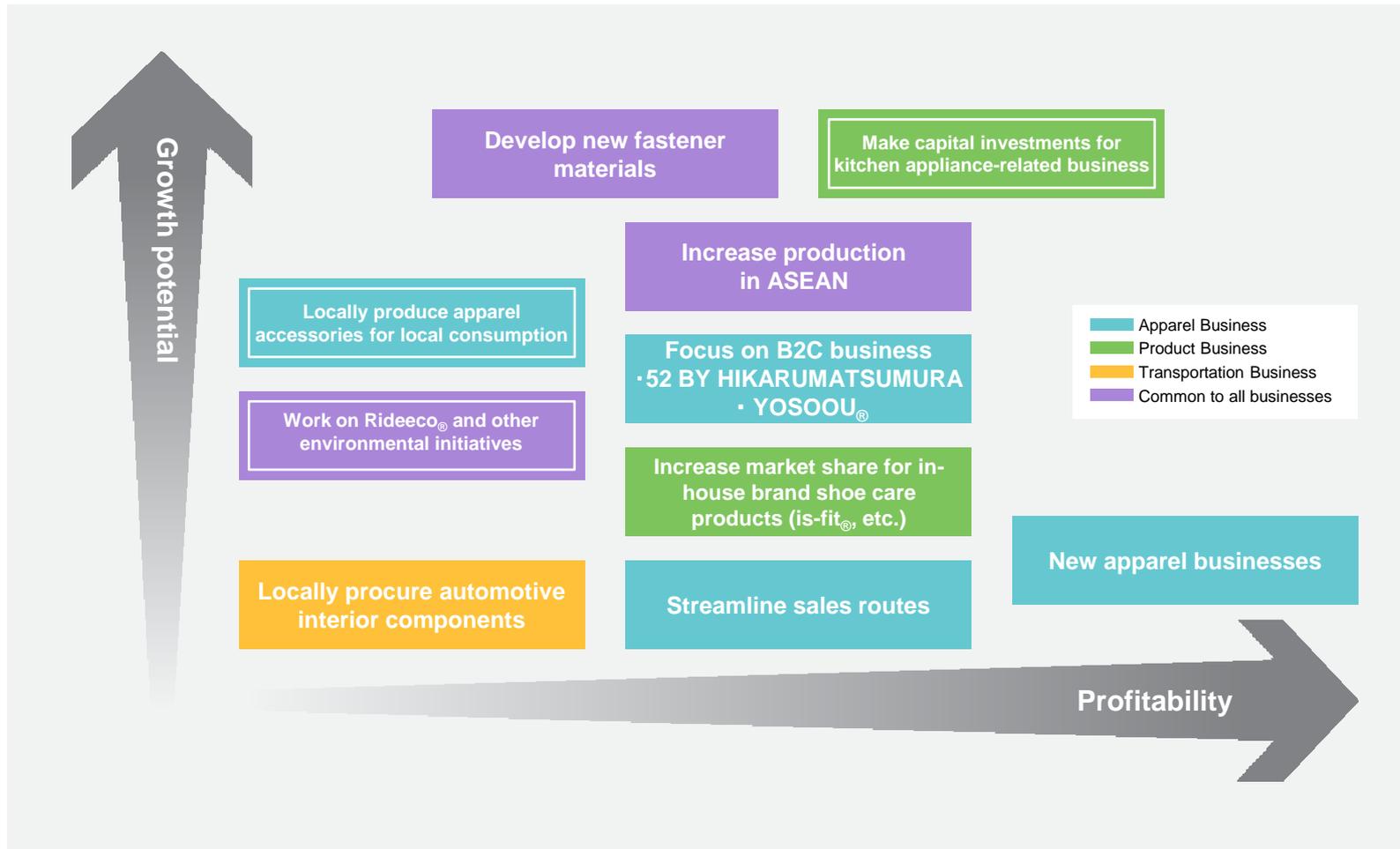


# Financial Target Update

Focus on increasing our top line, in addition to keeping the recently improved profit margin up.  
Aim to further expand the scale of operations.



# Overview of the Growth Strategy for Achieving the 8th Mid-Term Management Plan



# Growth Strategy 1 [ Rideeco® Environmental Initiative ]

Rideeco® is the Morito Group’s initiative to develop environmentally friendly products launched in fiscal 2021. We work to create new value so we can pass on our beautiful planet and its resources to future generations as we join hands with people and companies across all industries who share this same dream.

Recycling unwanted materials to create new value and contribute to sustainability

**Recycling discarded fishing nets**



**Recycling fabric scraps**



**Removing debris from discarded fishing nets**



**Upcycling items used by sports teams**



**Ride for Eco:**  
It sums up our commitment to sustainability.

**Relation**  
Build relationships and collaborate with various businesses and industries to create new value,

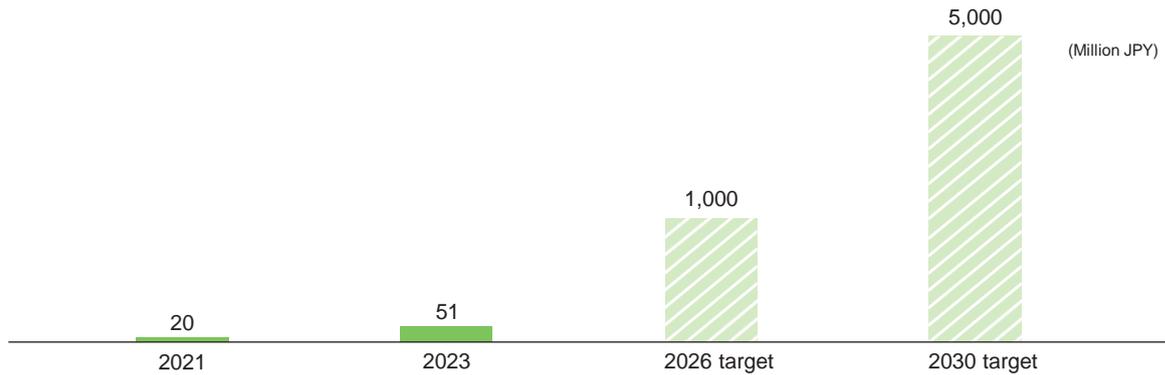
**Initiative**  
take action to build a sustainable society instead of being a bystander,

**Devote**  
devote our wisdom not only to the pursuit of short-term profits but also to the future of society,

**Energy**  
and act with perseverance and energy.

► [Rideeco® website](#)

# Growth Strategy 1 [Environmental Initiatives]



Expand business size and make Rideeco® a standard Morito product line



- Develop and sell products using discarded fishing nets
- Develop and sell ASUKAMI® made with fabric scraps from apparel factories
- Develop upcycled products in collaboration with sports teams

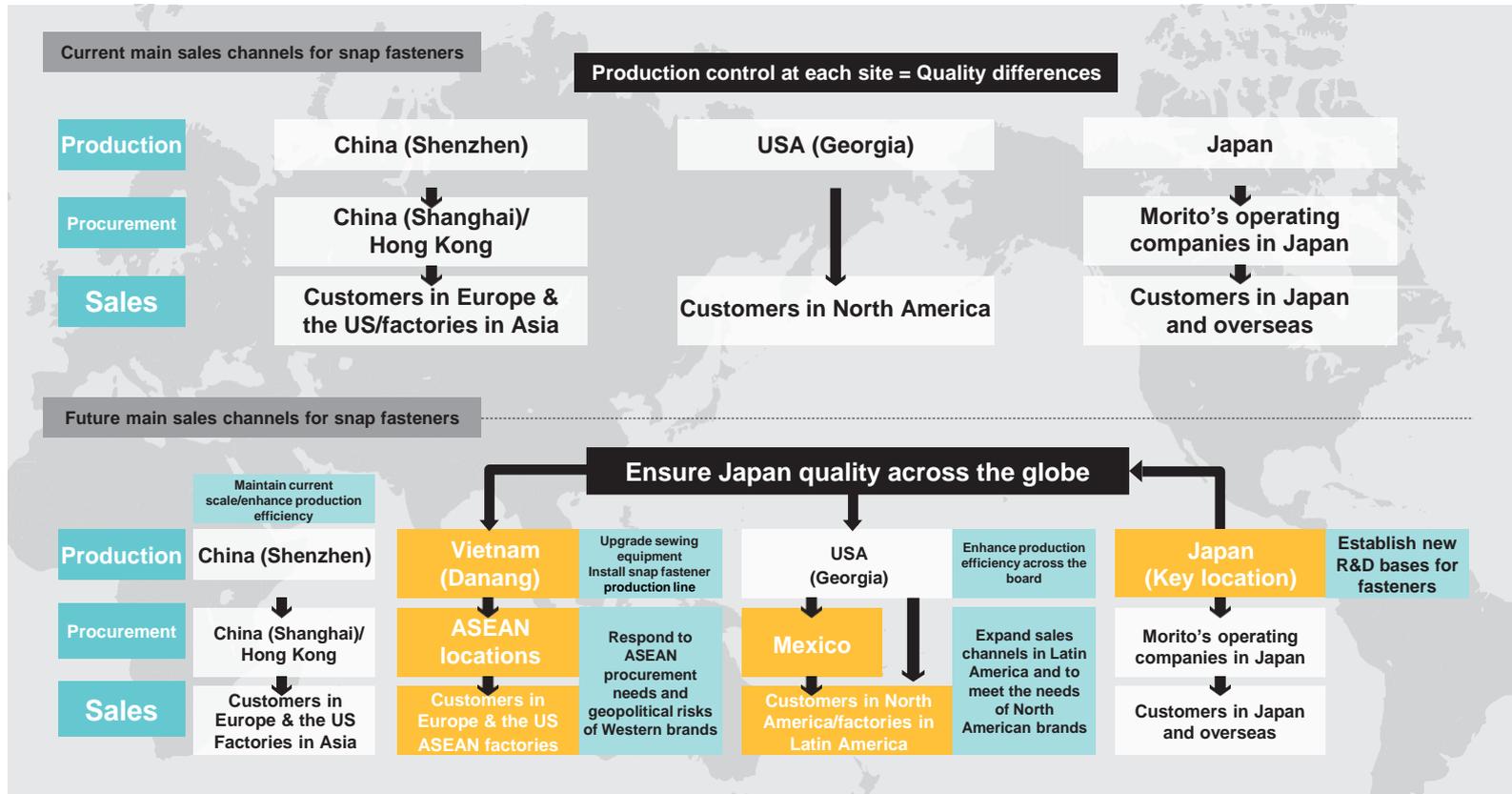
- Develop new materials that meet Rideeco® standards
- Boost overseas sales



# Growth Strategy 2

## [Local Production of Apparel Accessories for Local Consumption]

We will eliminate quality differences between regions and supply Morito quality products from all over the world. In response to customer needs, we will select production sites and minimize transportation distances to achieve sustainable and efficient production and supply.



# Growth Strategy 3

## [Product Business' Kitchen Appliance-related Services]

- **Capital investment to improve operational efficiency**

- Automating company plants and installing state-of-the-art cleaning systems at each location

- **Expansion of service coverage**

- Kanto, Kansai, Hokkaido, Chugoku, Shikoku, etc.

- **Expanding comprehensive maintenance services designed to realize a safe and comfortable environment**

- Restaurants, supermarkets, food factories, hotels, etc.

### Overview of kitchen appliance-related services

Ace Industrial Machinery Co., Ltd. provides a rental service for various filters used in commercial kitchen exhaust ducts, including filter exchange, delivery, and cleaning services. The company also offers kitchen exhaust hood cleaning services, helping restaurant operators to realize a comfortable working environment and mitigate the risk of fire.



**Grease filter**



A grease filter is installed at the inlet of the exhaust duct in restaurant kitchens. It reduces grease build-up in the ducts and the risk of fire.

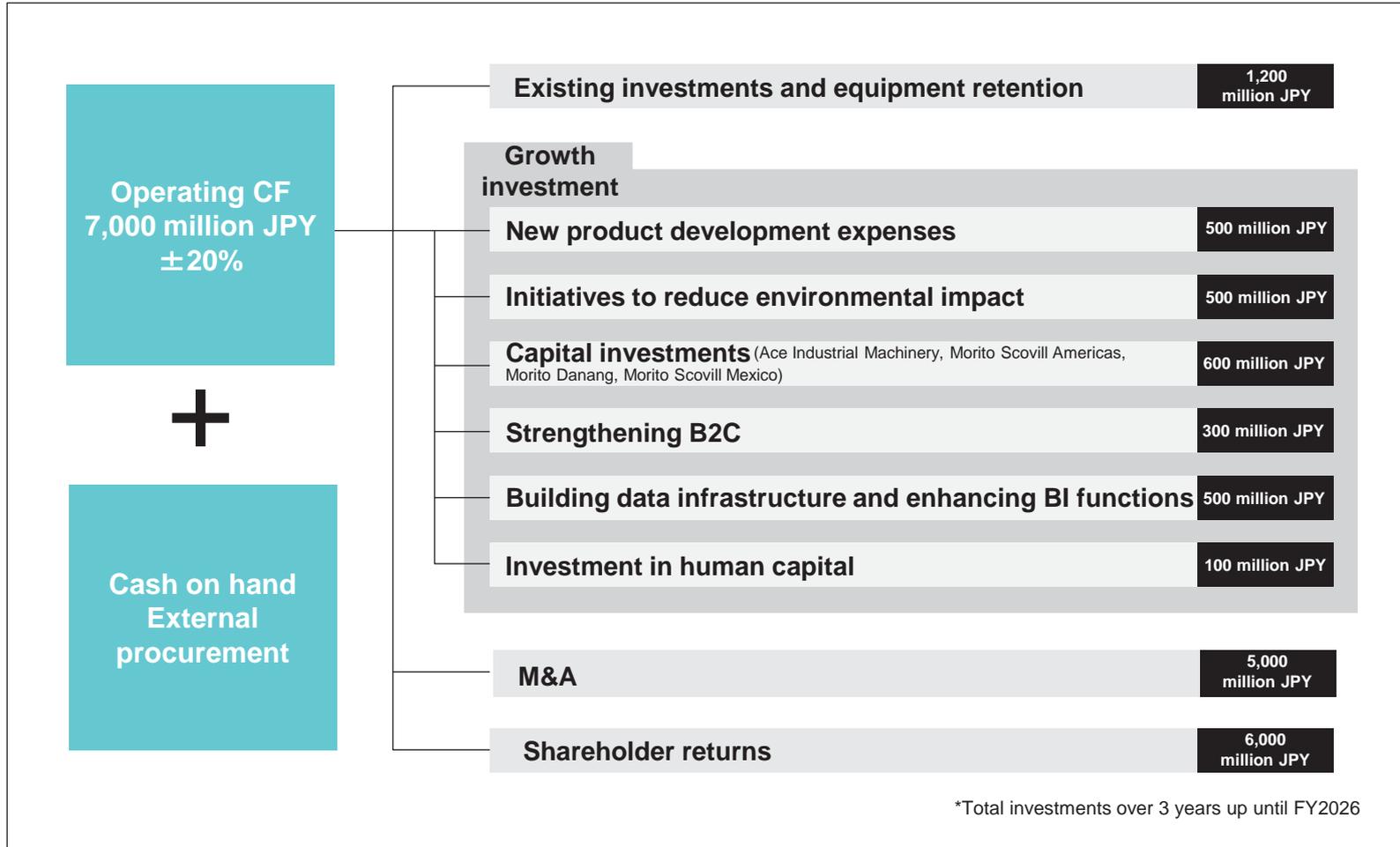


**In-house plant equipment**



Automatic filter cleaning and drying with an automatically controlled crane

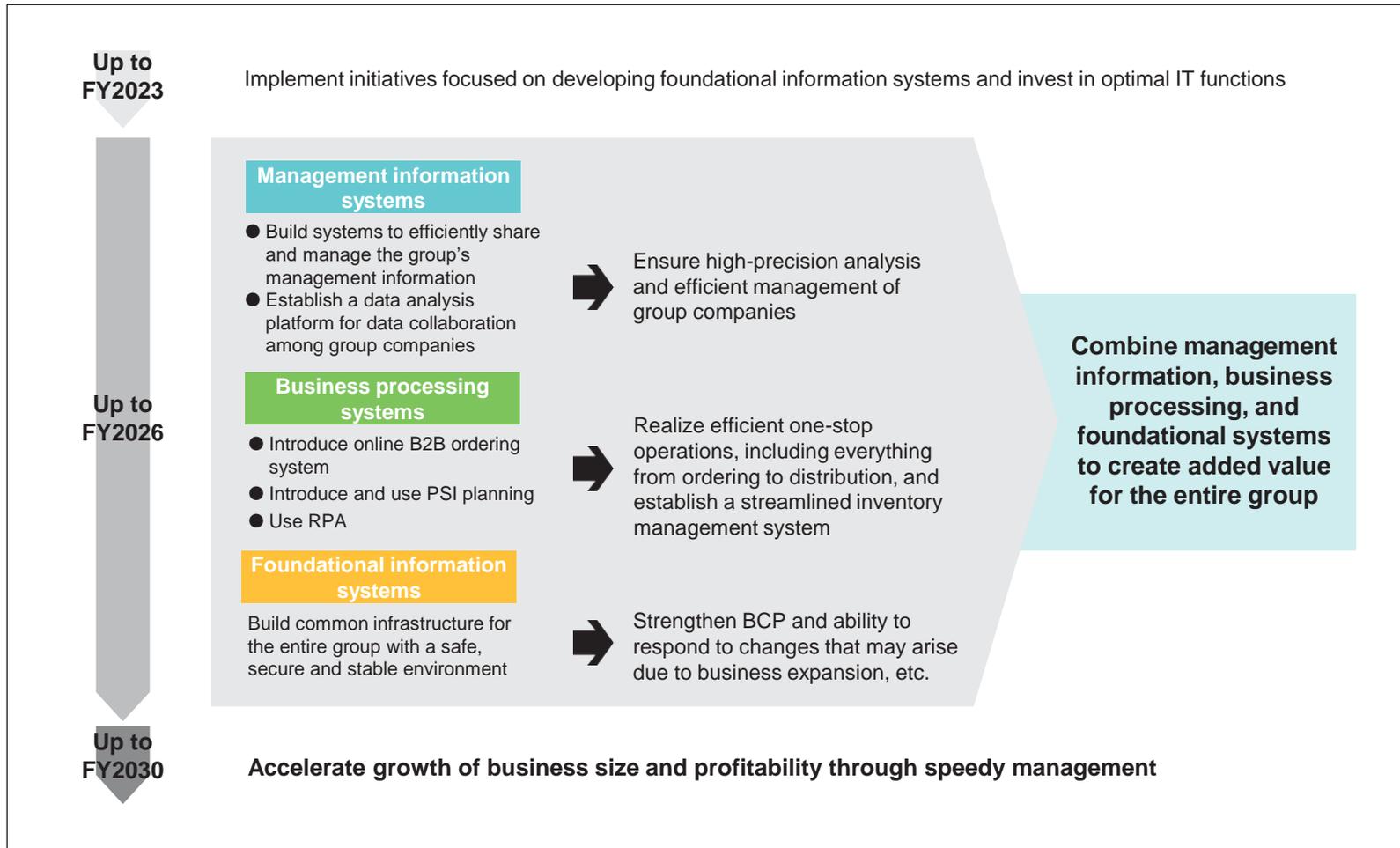
# Investment Strategy



# Investment Strategy [M&A]



# Corporate Strategy [IT Strategy]



# Corporate Strategy [Human Capital]

We will implement various measures to improve the value of human assets across the group by hiring and developing talent, assigning the right people to the right jobs, and utilizing them among group companies.

## Human resource development

- Implement compliance seminars, training for newly appointed managers, correspondence courses to improve employees' skills, and leadership development programs for selected candidates

## Safety and security

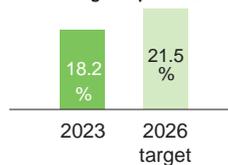
- Provide mental health stress checks and psychological safety workshops
- Conduct disaster drills and implement employee safety confirmation system in the event of a disaster

## Diverse ways of working

- Carry out diversity project activities
- Women's empowerment: Set a numerical target for female manager ratio
- Encourage male employees to take childcare and related leave

▶ [More information](#)

<Percentage of women in managerial positions>



## Morito Group Human Resource Management Policy

We have developed the Morito Group Human Resource Management Policy in order to ensure that all group companies, including overseas companies, are on the same page.



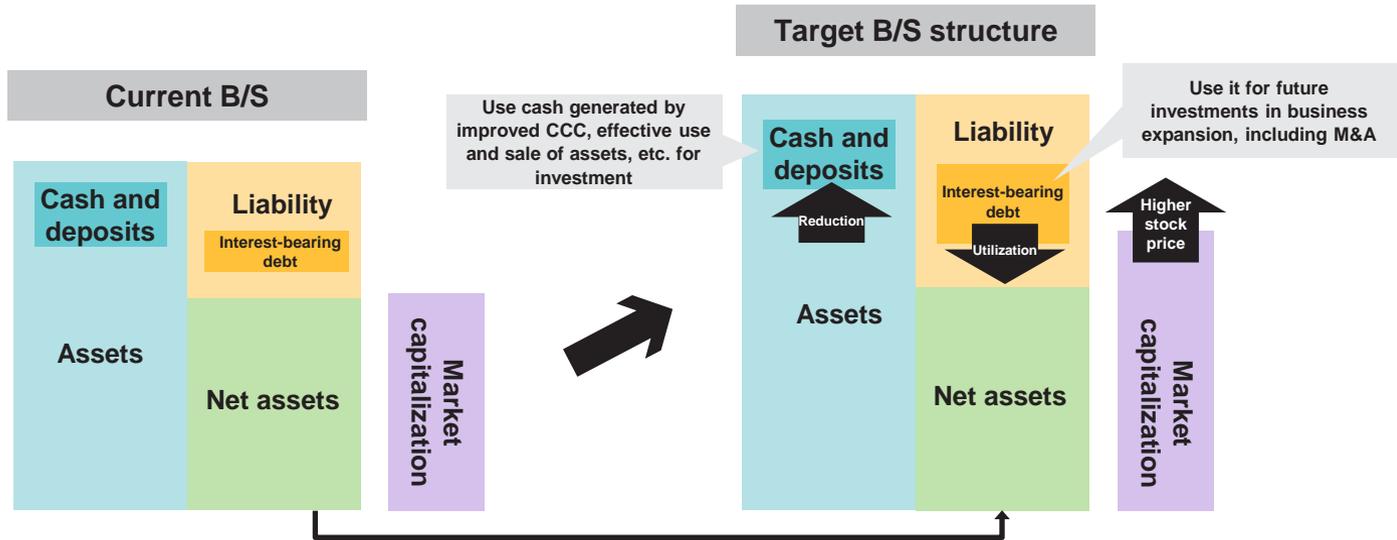
## Increase employee satisfaction and engagement

- Conduct employee satisfaction surveys to create an organizational culture that enables employees to reach their full potential and work toward their goals
- Analyze survey results, make improvements, and implement various measures to increase engagement

# Corporate Strategy

## [Capital Policy and Financial Strategy: Overview]

- Expand business through aggressive growth investment (see p. 16 for details of investment strategy)
- Optimize capital structure by utilizing interest-bearing debt
- Continue shareholder return and control net assets



### Continue shareholder return and control net assets

Basic dividend policy: Target a dividend payout ratio of 50% and DOE ratio of 4.0%, and buy back shares whenever necessary and cancel them appropriately

# Corporate Strategy

## [Capital Policy and Financial Strategy: Situational Analysis]

### Historical EPS

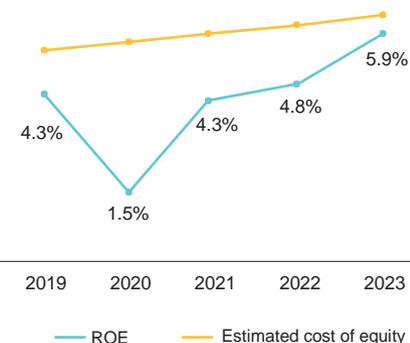


### Historical Stock Price and PBR



### ROE and Cost of Equity

Estimated to be in the mid-6% range at present



### Situational analysis

Improved profit structure as a result of structural reforms and revised shareholder return policy

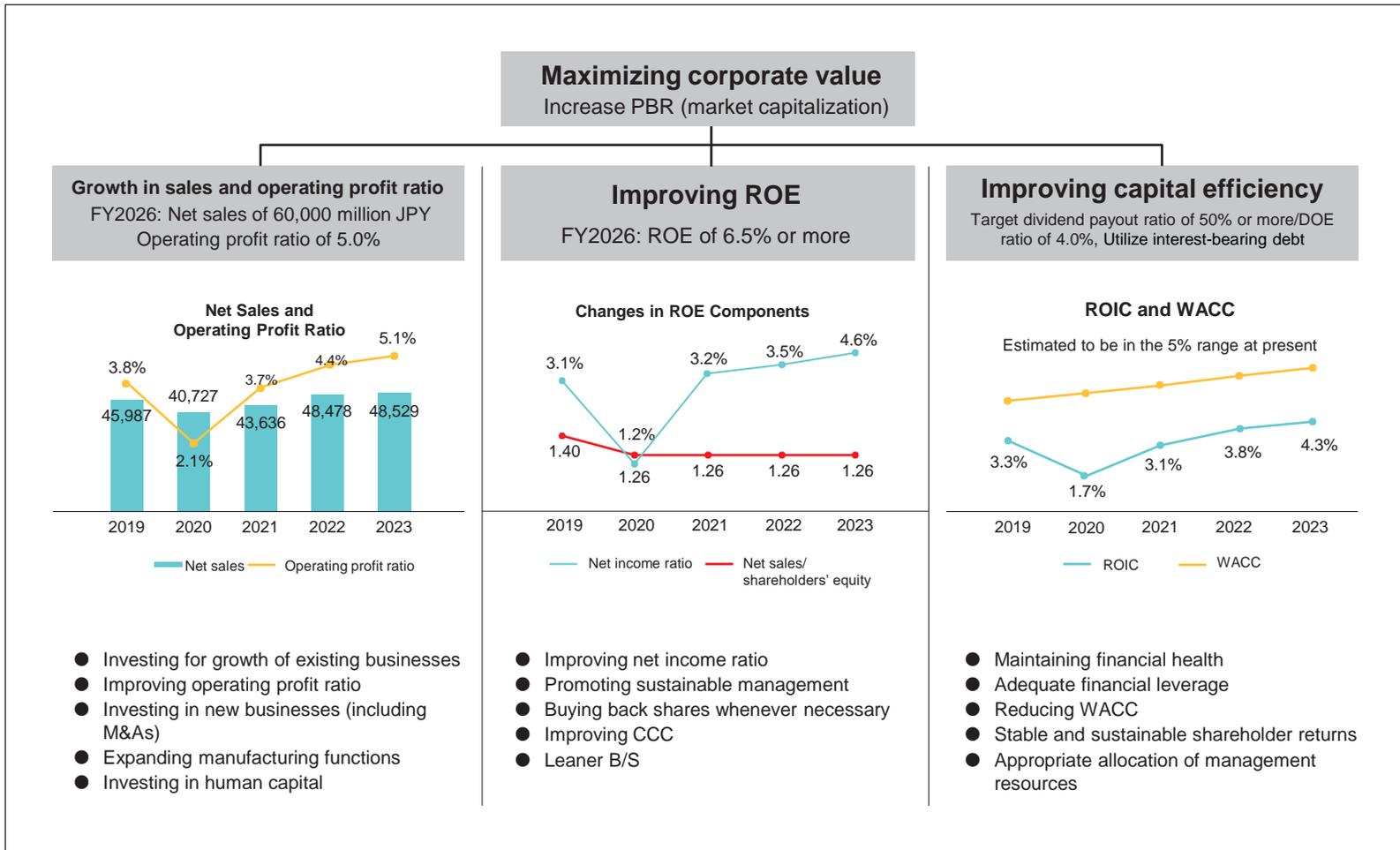
- EPS has increased
- PBR has increased to almost 1
- ROE has increased to almost 6.0%

### Challenge

We must improve return on equity (ROE) since it is lower than the cost of equity.

# Corporate Strategy

[Capital Policy and Financial Strategy: Measures to Realize Management Conscious of Cost of Capital and Stock Price]



# Shareholder Returns

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

**Realize stable and continuous dividend payments**

**Dividend payout ratio of 50% or more**  
in relation to profit attributable to owners of parent is the standard

**Standard of a dividend on equity (DOE) ratio of 4.0%**  
(on a consolidated basis)

Continue to consider buying back shares whenever necessary and canceling them appropriately

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

Dividend History	2020	2021	2022	2023	2024 (forecast)
Annual dividend per share (JPY)	18.0	26.0	32.0	55.0	58.0
Dividend payout ratio (%)	104.8	50.6	51.4	66.2	67.1
DOE (%)	1.5	2.2	2.4	3.9	4.0

# Financial Targets

		FY2023 results	FY2026 targets	Our vision for FY2030
Performance	Net sales	48,500 million JPY	60,000 million JPY	80,000 million JPY
	Operating profit	2,400 million JPY	3,000 million JPY	5,000 million JPY
Assets/ROE	Total assets	51,400 million JPY	Increase via growth investment ↑	
	Net assets	38,400 million JPY	Maintain current level via shareholder returns →	
	Interest-bearing debt	1,400 million JPY	Increase due to use for growth investment ↑	
	Equity ratio	74.7%	Decrease due to use of interest-bearing debt ↓	
	ROE	5.9%	6.5%	8.0%
Shareholder returns	Payout ratio	66.2%	Decrease due to profit growth	
	DOE	3.9%	4.0%	4.0%
	Share repurchase	470 million JPY	Consider buying back shares whenever necessary →	
Growth investment	Investment amount	540 million JPY	8,700 million JPY * Total for the FY2024 – FY2026 period	Increase growth investment

# Disclaimer

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

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

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

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