

MORITO CO., LTD.
Financial Statement (Unaudited)
For the Third Quarters of the Fiscal Year ended November 30, 2015
(Translated from the Japanese original)

Corporate Information

Code : 9837 Listings : Second 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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Scheduled date of filing of Quarterly Report October 15, 2015
Scheduled date of dividend payment: —
Supplementary explanation material for quarterly financial results: None
Presentation meeting for quarterly financial results: None

(Amounts rounded down)

1. Consolidated Financial Results for the Third Quarter of Fiscal Year 2015(December 1, 2014 through May 31, 2015)**(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 2015	32,353	25.0	1,236	34.5	1,397	35.8	797	△23.4
3Q of FY 2014	25,889	9.8	919	11.3	1,028	△8.3	1,040	51.2

(Note) Comprehensive income: 2,556million yen (105.5%) (3Q of FY 2015) 1,243million yen (△42.8%) (3Q of FY 2014)

	Net income Per share	Fully diluted net Income per share
	Yen	Yen
3Q of FY 2015	27.51	-
3Q of FY 2014	35.90	-

(Note) On July 1, 2014, Morito conducted a two-for-one split on shares of common stock. Consequently, "net income per share" have been computed as if the stock split had been conducted at the beginning of the fiscal year ended November 30, 2014

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
3Q of FY 2015	47,711	31,688	66.4
FY 2014	45,593	29,488	64.7

(Reference) Equity capital: 31,688million yen (3Q of FY 2015) 29,488 million yen (FY 2014)

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 2014	-	12.00	-	6.50	-
FY 2015	-	7.00	-	-	-
FY 2015 (Forecast)	-	-	-	7.00	14.00

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

On July 1, 2014, Morito conducted a two-for-one split on shares of common stock. Consequently, Year-end dividends for fiscal year ended November 30, 2014, are indicated at the amounts after the stock split.

3. Consolidated Forecast for FY 2015 (December 1, 2014 through November 30, 2015)

(Percentages represent changes from corresponding period of previous year)

	Net Sales		Operating income		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	43,000	19.9	1,700	18.9	1,800	4.1

	Net income		Net income per share
	Millions of yen	%	Yen
Full year	1,400	10.2	48.32

(Note) Revision of consolidated earnings forecast to the latest announcement: Yes

*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: Yes

(ii) Changes in accounting policies other than (i): None

(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 3 of the Attachment.

(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 September 31, 2015)

30,800,000 shares (as of November 30, 2014)

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

1,826,526 shares (as of September 31, 2015)

1,826,516 shares (as of November 30, 2014)

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

28,973,484 shares (the Third quarter of FY 2015)

28,973,560 shares (the Third quarter of FY 2014)

(Note) On July 1, 2014, Morito conducted a two-for-one split on shares of common stock. Consequently, the number of end of the period treasury stock shares, and the average number of shares during the period are calculated on the assumption that the said stock split was implemented at the beginning of the previous fiscal year.

*Status of execution of the quarterly review of financial statement

At the time of publication of this quarterly financial results release, the review procedures for the quarterly financial statements based on the Financial Instruments and Exchange Law were completed.

*Disclosure and other special notes regarding performance forecasts

The forecast above are 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(1) Business Performance" on page 4

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 quarterly (From 1st December, 2014 to 31st August, 2015) of the fiscal year ended November 30th, 2015, the Japanese economy has shown signs of modest recovery by weakening yen, additional money easing, corporate capital expenditure, improvement in employment environment. However, the progress of recovery is still slow, and the estrangement between the expectations for the future of the economy and real economy is not contracting.

In the global economy, the economic recovery of the U.S. and other developed countries economy are expected to continue, but, the European debt crisis and slowdown in economic expansion and currency devaluation in China. So, the total worldwide economy is still uncertainly.

In such a situation, our group is moving forward a growth strategy by expansion of a global sales channel and production base, under the mid-long term plan 'Transforming ourselves into a company with global growth'.

As a result, in the current quarterly performance reach net sales ¥32,353million (increased by 25.0% from a year earlier), operating income ¥1,236 million (increased by 34.5% from a year earlier), ordinary income ¥1,397 million (increased by 35.8% from a year earlier), net income ¥797 million (decreased by 23.4% from a year earlier).

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

¥122.48 to the U.S. dollar, ¥137.20 to the euro, ¥19.74 to the Chinese yuan, ¥15.80 to the Hong Kong dollar, ¥3.97 to the Taiwan dollar, ¥0.0056 to the Vietnamese dong, ¥3.64 to the Thai baht.

The exchange rate used for the consolidated financial statement of the year earlier quarter end as below:

¥101.30 to the U.S. dollar, ¥138.21 to the euro, ¥16.31 to the Chinese yuan, ¥13.07 to the Hong Kong dollar, ¥3.39 to the Taiwan dollar, ¥0.0048 to the Vietnamese dong, ¥3.11 to the Thai baht.

Segment information as below

[Japan]

As for the apparel division, sales of the accessories for major retailers and sports apparel manufacturer in Japan, EU and the U.S. are increased.

In the consumer product division, sales of stationary, school bag, OEM products for camera, shoes are increased.

As a result, net sales were ¥20,792 million (increased by 3.7% from a year earlier).

[Asia]

As for the apparel division, sales of the accessories for EU and U.S. infant's wear, outer and casual wear manufacturer are increased.

In the consumer product division, OEM products for Camera, and sales of the automobile interior component for Japanese auto makers are increased.

From the current fiscal year, the performance of GSG (SCOVILL) FASTENERS ASIA LIMITED and SCOVILL FASTENERS INDIA PVT. LTD which became consolidated subsidiaries of our group are reflected.

As a result, net sales were ¥6,325 million (increased by 56.4% from a year earlier).

[Europe and the U.S.]

As for the apparel division, sales of the accessories for medical industry and uniform increased

In the consumer product division, sales of automobile interior article for Japanese automobile manufacture in the U.S. Also, the component for camera in Europe increased.

From the current fiscal year, the performance of GSG FASTENERS, LLC and SCOVILL FASTENERS UK LIMITED which became consolidated subsidiaries of our group are reflected.

As a result, net sales were ¥5,235 million (increased by 193.0% from a year earlier).

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

Currently, there has been change in the consolidated forecast of FY2015, which was previously announced at January 14th, 2015.

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 Accounting Principal)

(Adoption of the accounting standard concerning retirement benefit plan)

The company applied "Accounting standard concerning retirement benefit (ASBJ Statement No.26, May 17, 2013)" (hereinafter referred to as the "Accounting standard of retirement benefit") and "Guideline on accounting standards concerning retirement benefit (ASBJ Guideline No.25, May 17, 2013)" (hereinafter referred to as the "Guideline of retirement benefit") from the First quarter of the current consolidated fiscal year. The company has reviewed the calculation of liabilities for retirement benefit and retirement benefit cost and changed service period basis as the attribution method to benefit formula from straight-line attribution. Also, the company changed the determination of the discount rate to the method using the weighted average rate reflected the period and the cost which expect payment.

The adoption of the accounting standard of retirement benefit is based on the Accounting Standards for retirement benefit No.37. The impact of this change was adjusted for retained earnings.

As a result, assets for retirement benefit were ¥115,476 thousand, liability for retirement benefit were ¥50,643 thousand and retained earnings were increased ¥41,752 thousand at the beginning from the First quarter of the current consolidated fiscal year. The impact on Third quarter earnings as a result of this change was insignificant.

(4) Additional Information

(The Transaction for the Board Incentive Plan Trust)

The Board Incentive Plan Trust was approved by the general shareholders meeting held on February 26, 2015. The main objective of this scheme is to increase the board members' motivation to make contributions to improve business performance and increase enterprise value.

Trust transaction is accounted based on "Practical handling concerning the delivering of company outstanding shares to employee through the trust" (ASBJ PITF No.30 of March 26, 2015).

(1) Summary of the Transaction

This system is a performance-based stock compensation which delivers treasury stock to directors by level of achievement for sales and operating profit of each fiscal year. However, board member may receive the grant of the company shares at the time of retirement.

(2) Remaining treasury stock in the trust

Remaining treasury stock in the trust is recorded in net assets as treasury stock by book value of the trust.

The book value of the treasury stock at the end of the Third quarter of current fiscal year is ¥168,000 thousand.

The number of the treasury stock at the end of the second quarter of current fiscal year is 175 thousand.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	FY 2014 (As of November 30, 2014) Thousands of yen	FY 2015 (As of August 31, 2015) Thousands of yen
Assets		
Current assets		
Cash and deposits	7,862,616	8,096,665
Notes and accounts receivable	10,388,944	10,560,948
Inventory	4,557,407	5,057,675
Other current assets	1,445,161	1,285,866
Allowance for doubtful accounts	△36,023	△40,482
Total current assets	24,218,105	24,960,673
Fixed assets		
Tangible fixed assets		
Land	6,158,454	6,066,934
Other tangible fixed assets	3,953,100	4,276,336
Total tangible fixed assets	10,111,554	10,343,270
Intangible fixed assets		
Goodwill	4,210,819	3,811,206
Other Intangible fixed assets	490,811	1,579,279
Total intangible fixed assets	4,701,630	5,390,486
Investments and other fixed assets		
Investment securities	5,262,788	5,720,019
Net defined benefit asset	238,158	354,678
Other fixed assets	1,190,897	1,066,432
Allowance for doubtful account	△129,635	△123,981
Total investments and other fixed assets	6,562,209	7,017,148
Total fixed assets	21,375,394	22,750,905
Total assets	45,593,500	47,711,578
Liabilities		
Current liabilities		
Notes and accounts payable	4,588,697	4,708,768
Short-term loans payable	4,960,000	4,960,000
Current portion of long-term debt	375,396	375,396
Accrued tax payable	313,950	371,964
Reserve for bonuses	136,269	266,427
Reserve for director's bonuses	48,100	59,515
Other current liabilities	1,460,848	1,056,778
Total current liabilities	11,883,262	11,798,850
Fixed liabilities		
Long-term debt	911,873	630,326
Provision for director's retirement benefit	129,608	55,506
Reserve for benefit allowance	4,626	10,804
Provision for environmental measures	23,658	26,021

(Unaudited)

Net defined benefit liability	752,563	809,921
Other fixed liabilities	2,399,103	2,691,159
Total fixed liabilities	4,221,432	4,223,739
Total liabilities	16,104,695	16,022,589
<i>Net Assets</i>		
Shareholders' equity		
Capital	3,532,492	3,532,492
Capital surplus	3,395,115	3,498,720
Retained earnings	21,364,202	21,801,114
Treasury stock	△680,993	△784,610
Total shareholders' equity	27,610,816	28,047,716
Other comprehensive income		
Valuation difference on available-for-sale securities	1,812,097	2,295,756
Deferred gains or losses on hedges	△1,853	△118
Difference in revaluation of land	△586,591	△505,653
Foreign currency translation adjustment	545,742	1,756,797
Remeasurement of defined benefit plans	108,593	85,490
Total other comprehensive income	1,877,988	3,641,272
Minority interests	-	-
Total net assets	29,488,805	31,688,988
Total liabilities and net assets	45,593,500	47,711,578

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

Quarterly Consolidated statements of income

The Third Quarter accounting period

	FY 2014 (December 1, 2013 through August 31, 2014) Thousands of yen	FY 2015 (December 1, 2014 through August 31, 2015) Thousands of yen
Net sales	25,889,316	32,353,384
Cost of sales	19,201,061	24,068,955
Gross profit	6,688,255	8,284,429
Total selling, general and administrative expense	5,768,487	7,047,637
Operating Income	919,768	1,236,792
Non-operating income		
Interest received	17,894	19,978
Dividends received	80,286	66,047
Rent on real estate	53,157	57,529
Foreign exchange gains	630	59,778
Equity in earnings of affiliates	28,063	24,372
Other non-operating income	77,909	80,238
Total non-operating income	257,942	307,944

(Unaudited)

Non-operating expenses		
Interest paid	8,743	17,000
Cash discount on sales	75,852	68,354
Others non-operating expense	64,278	61,978
Total non-operating expense	148,874	147,334
Ordinary Income	1,028,836	1,397,402
Extra ordinary income		
Gains on sales of fixed assets	275,232	236,762
Gains on sales of securities	174,365	76,953
Gain on liquidation of subsidiaries and affiliates	79,894	—
Total extra ordinary income	529,491	313,716
Extra ordinary loss		
Loss on disposal of fixed assets	24,148	9,411
Loss on sales of fixed assets	—	3,034
Loss on liquidation affiliates	48,778	322,950
Total extra ordinary loss	72,924	335,396
Net income before taxes and other adjustment	1,485,403	1,375,722
Corporate, inhabitant and business taxes	488,059	570,183
Adjustments to corporate and other taxes	△2,928	8,339
Total income taxes	445,131	578,522
Income before minority interest	1,040,271	797,199
Minority interest	—	—
Net income	1,040,271	797,199
Income before minority interests	1,040,271	797,199
Other comprehensive income		
Other gain(loss) on available-for-sale securities	70,314	5483,659
Deferred gains or losses on hedges	△1,217	1,734
Difference in revaluation of land	—	76,556
Foreign currency translation adjustment	134,223-	1,220,054
Remeasurements of defined benefit plans	—	△23,103
Total other comprehensive income	203,320	1,758,902
Comprehensive income	1,243,591	2,556,101
(Breakdown)		
Comprehensive income attribute to the parent	1,243,591	2,556,101
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 2014 (December 1, 2013 through August 31, 2014)

The information on net sales, income or loss, assets and other items 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	20,057,067	4,045,634	1,786,614	25,889,316	—	25,889,316
Inter segment sales and transfer	1,753,169	1,783,228	4,111	3,540,510	Δ3,540,510	—
Total	21,810,237	5,828,863	1,790,726	29,429,827	Δ3,540,510	25,889,316
Segment income	687,312	260,651	161,608	1,109,572	Δ189,804	919,768

(Notes)

1. Adjustment of Δ¥189,804 thousand includes Δ¥195,335 thousand -corporate expenses that are not distributed to each reportable segment and other Δ¥5,531 thousand.
2. 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 Third Quarter of FY 2015 (December 1, 2014 through August 31, 2015)

The information on net sales, income or loss, assets and other items 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	20,792,334	6,325,769	5,235,280	32,353,384	—	32,353,384
Inter segment sales and transfer	1,903,416	1,718,384	71,728	3,693,529	Δ3,693,529	—
Total	22,695,751	8,044,153	5,307,009	36,046,914	Δ3,693,529	32,353,384
Segment income	834,005	323,023	385,554	1,542,583	Δ305,791	1,236,792

(Notes)

1. Adjustment of Δ¥305,791 thousand includes Δ¥255,648 thousand -corporate expenses that are not distributed to each reportable segment and other Δ¥50,142 thousand.
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.