

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ended November 30, 2021 [Japanese GAAP]



October 14, 2021

Company name: MORITO CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 9837

URL: http://www.morito.co.jp/hd_en/

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Scheduled date of filing quarterly securities report: October 15, 2021

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: Non-Scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ended November 30, 2021 (December 1, 2020 to August 31, 2021)

(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	%
3Q of FY 2021	31,802	6.2	1,104	163.7	1,259	201.9	757	352.1
3Q of FY 2020	29,942	(12.4)	418	(61.5)	417	(62.1)	167	(83.1)

(Note) Comprehensive income: 3Q of the Fiscal year ended November 30, 2021: ¥1,632 million [- %]

3Q of the Fiscal year ended November 30, 2020: ¥(180) million [- %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
3Q of FY 2021	27.65	-
3Q of FY 2020	6.12	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
3Q of FY 2021	44,615	33,264	74.4
FY 2020	43,699	32,015	73.1

(Reference) Equity: As of August 31, 2021: ¥33,207 million

As of November 30, 2020: ¥31,958 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended November 30, 2020	Yen -	Yen 13.25	Yen -	Yen 4.75	Yen 18.00
November 30, 2021	-	9.00	-	-	-
Fiscal year ending November 30, 2021 (Forecast)	-	-	-	11.00	20.00

(Note) Revisions of dividend forecast to the latest announcement: Revised

3. Consolidated Financial Results Forecast for the Fiscal Year Ending November 30, 2021 (December 1, 2020 to November 30, 2021)

(% 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	43,000	5.6	1,550	81.0	1,700	83.2	1,050	123.4	38.35

(Note) Revisions of performance forecast to the latest announcement: Revised

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in the scope of consolidation): No
- (2) Adoption of the 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: No
 - 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) A total number of issued shares at the end of the period (including treasury shares):
 - 3Q of the fiscal year ended November 30, 2021: 30,800,000 shares
 - November 30, 2020: 30,800,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - 3Q of the fiscal year ended November 30, 2021: 3,417,660 shares
 - November 30, 2020: 3,420,060 shares
 - 3) The average number of shares during the period:
 - 3Q of the fiscal year ended November 30, 2021: 27,381,720 shares
 - 3Q of the fiscal year ended November 30, 2020: 27,379,940 shares

* These quarterly consolidated financial results are outside the scope of the 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 “1. Overview of Business Results, etc. (2) Forecast of Consolidated Business Results and other Forward-looking Information ” 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. Overview of Business Results, etc.

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

In the third quarter (from December 1, 2020, to August 31, 2021) of the fiscal year ended November 30, 2021, the business environment has gradually recovered in some regions, such as the U.S. and China by vaccination of COVID-19. However, in other regions, it has remained unclear as the pandemic of the variant of COVID-19 has happened again.

Amid such circumstances, the Morito Group (the “Group”), which engages in the handling of apparel materials and consumer products, faced harsh business conditions due to adjusting inventories in department stores and mass retailers, soaring costs of raw materials such as copper to manufacture the Group’s main products such as eyelets and hooks and reducing and stopping production by automakers due to semiconductor shortage. On the other hand, the business related to babywear, medical wear, and working wear has remain firm. Moreover, the Group focused on promoting “C.O.R.E.” as the Group’s commitment to the environment, such as development and sale of accessories made from “REAMIDE”, the recycled material of waste fishing nets, and selling products related to activities such as skateboarding and fishing that can be enjoyed outdoors at a safe social distance. Through these businesses, the Group has committed to achieving the Sustainable Development Goals (SDGs), strengthening our profitability, and has made efforts continuously to review unprofitable businesses.

As a result, for the fiscal year under review, net sales increased by 6.2% year on year to ¥31,802 million. Operating profit increased by 163.7% to ¥1,104 million, ordinary profit increased by 201.9% to ¥1,259 million, and profit attributable to owners of the parent increased by 352.1% to ¥757 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 third quarter of the fiscal year under review are as follows.

	1Q	2Q	3Q
USD	104.51 (108.76)	106.09 (108.87)	109.52 (107.63)
EUR	124.58 (120.32)	127.80 (120.09)	131.93 (118.58)
CNY	15.81 (15.44)	16.38 (15.59)	16.96 (15.17)
HKD	13.48 (13.90)	13.68 (14.01)	14.10 (13.89)
TWD	3.67 (3.57)	3.78 (3.62)	3.91 (3.60)
VND	0.0045 (0.0047)	0.0046 (0.0047)	0.0048 (0.0046)
THB	3.42 (3.59)	3.50 (3.48)	3.50 (3.37)
MXN	5.08 (5.65)	5.21 (5.49)	5.47 (4.63)

(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 for bags and shoes decreased but sales of accessories for casual wear, sportswear, and products related to outdoor activities increase.

In the consumer product division, sales of products related to snowboards decreased but sales of automotive interior components, products for one-coin shops, supporters, products related to PC such as mousepads and products related to surfing and skateboard increased.

As a result, net sales increased by 4.1% year on year to ¥21,967 million.

[Asia]

In the apparel division, sales of accessories to Japanese apparel manufacturers in Thailand decreased, but sales of accessories to Europe and the U.S. apparel manufacturers in China and Hong Kong increased.

In the consumer product division, sales of automotive interior components to Japanese automotive manufacturers decreased in China.

As a result, net sales increased by 13.4% year on year to ¥5,963 million.

[Europe and the U.S.]

In the apparel division, sales of accessories to apparel manufacturers in the U.S. and Europe increased.

In the consumer product division, sales of automotive interior components to Japanese automotive manufacturers in the U.S. decreased, but sales of automotive interior components to Japanese automotive manufacturers in Europe increased.

As a result, net sales increased by 8.2% year on year to ¥3,871 million.

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

The consolidated financial forecast for the fiscal year ending November 30, 2021, is expected to exceed the initial forecast. For details, please refer to “Notice of Revision of Consolidated Financial Results Forecast and Fiscal Year Ending Dividend Forecast for November 2021” released today (October 14, 2021).

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of November 30, 2020	As of August 31, 2021
Assets		
Current assets		
Cash and deposits	10,125,070	10,107,018
Notes and accounts receivable - trade	9,957,014	9,864,503
Inventory	4,721,852	4,849,900
Other	733,414	631,347
Allowance for doubtful accounts	(40,942)	(39,650)
Total current assets	25,496,410	25,413,118
Non-current assets		
Fixed assets		
Land	4,076,183	4,593,437
Other	5,489,802	5,406,738
Total fixed assets	9,565,985	10,000,175
Intangible assets		
Goodwill	2,561,362	2,469,496
Other	1,089,779	1,054,319
Total intangible assets	3,651,142	3,523,815
Investments and other assets		
Investment securities	3,940,908	4,542,419
Retirement benefit asset	221,671	223,537
Other	889,879	980,204
Allowance for doubtful accounts	(67,945)	(67,718)
Total investments and other assets	4,984,514	5,678,443
Total non-current assets	18,201,643	19,202,434
Deferred assets	1,400	—
Total assets	43,699,454	44,615,553
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,255,918	4,283,130
Short-term borrowings	50,000	50,000
Current portion of bonds payable	200,000	—
Current portion of long-term borrowings	530,000	457,118
Income taxes payable	98,125	367,260
Provision for bonuses	184,683	257,039
Provision for bonuses for directors (and other officers)	50,841	57,758
Other	1,557,809	1,321,946
Total current liabilities	6,927,378	6,794,254
Non-current liabilities		
Long-term borrowings	2,097,922	1,773,304
Provision for share-based remuneration	37,453	33,033
Provision for retirement benefits for directors (and other officers)	62,099	32,708
Provision for share-based remuneration for directors (and other officers)	75,432	86,440
Provision for environmental measures	18,974	19,835
Retirement benefit liability	918,297	912,516
Other	1,546,555	1,699,297
Total non-current liabilities	4,756,735	4,557,135
Total liabilities	11,684,114	11,351,390

(Thousand yen)

	As of November 30, 2020	As of August 31, 2021
Net assets		
Shareholders' equity		
Share capital	3,532,492	3,532,492
Capital surplus	3,507,603	3,507,603
Retained earnings	25,703,378	26,076,519
Treasury shares	(2,227,056)	(2,226,119)
Total shareholders' equity	30,516,416	30,890,495
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	945,536	1,338,757
Deferred gains or losses on hedges	118	(576)
Revaluation reserve for land	451,115	451,115
Foreign currency translation adjustment	112,743	576,816
Remeasurements of defined benefit plans	(67,659)	(48,934)
Total accumulated other comprehensive income	1,441,855	2,317,177
Share acquisition rights	57,067	56,490
Non-controlling interests	—	—
Total net assets	32,015,339	33,264,163
Total liabilities and net assets	43,699,454	44,615,553

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

The Third Quarter accounting period

(Thousand yen)

	December 1, 2019- August 31, 2020	December 1, 2020- August 31, 2021
Net sales	29,942,830	31,802,932
Cost of sales	22,192,423	23,530,200
Gross profit	7,750,406	8,272,731
Selling, general and administrative expenses	7,331,748	7,168,609
Operating profit	418,657	1,104,122
Non-operating income		
Interest income	11,245	6,476
Dividend income	53,229	53,131
Rental income from real estate	50,178	50,299
Share of profit of entities accounted for using equity method	28,435	37,389
Subsidies for employment adjustment	—	86,794
Other	54,390	44,972
Total non-operating income	197,479	279,064
Non-operating expenses		
Interest expenses	10,232	7,946
Sales discounts	51,534	44,776
Foreign exchange losses	58,111	8,498
Other	78,962	62,100
Total non-operating expenses	198,841	123,322
Ordinary profit	417,295	1,259,864
Extraordinary income		
Gain on sales of non-current assets	867	352
Gain on sales of investment securities	14,991	5,960
Gain on reversal of share acquisition rights	525	577
Total extraordinary income	16,383	6,891
Extraordinary losses		
Loss on sales of non-current assets	17,526	29
Loss on retirement of non-current assets	3,798	3,343
Loss on sales of investment securities	—	138
Loss on sales of golf club memberships	1,080	—
Loss on valuation of investment securities	13,442	—
Loss on valuation of golf club membership	5,374	—
Restructuring loss	—	18,169
Loss on COVID	26,561	—
Total extraordinary losses	67,783	21,681
Profit before income taxes	365,896	1,245,074
Income taxes - current	276,651	530,921
Income taxes - deferred	(75,829)	(43,051)
Total income taxes	200,821	487,869
Profit	165,075	757,205
Profit attributable to non-controlling interests	(2,411)	—
Profit attributable to owners of parent	167,486	757,205

Quarterly Consolidated Statements of Comprehensive Income

The Third Quarter accounting period

(Thousand yen)

	December 1, 2019- August 31, 2020	December 1, 2020- August 31, 2021
Profit	165,075	757,205
Other comprehensive income		
Valuation difference on available-for-sale securities	(374,520)	393,220
Deferred gains or losses on hedges	(956)	(694)
Foreign currency translation adjustment	22,536	464,072
Remeasurements of defined benefit plans, net of tax	7,118	18,724
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	(345,820)	875,322
Comprehensive income	(180,745)	1,632,527
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(178,334)	1,632,527
Comprehensive income attributable to non-controlling interests	(2,411)	—

(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.

(Additional Information)

(Impact of the COVID-19 pandemic on accounting estimates)

In the third quarter (from December 1, 2020, to August 31, 2021) of the fiscal year ended November 30, 2021, the business environment has gradually recovered in some regions, such as the U.S. and China by vaccination of COVID-19. However, in other regions, it has remained unclear as a variant of the COVID-19 pandemic has happened again. Amid such circumstances, the assumptions used in the accounting estimates for the COVID-19 in Japan, Asia, Europe and the U.S. have not changed from the additional information in the financial statements for the previous fiscal year.

Although the estimates are based on the information available at this point, there is a possibility that the business results and financial position of the Group may be affected if there is a difference between the expected recovery trend and the actual trend in the future.

(Segment Information, etc.)

[Segment information]

I. For the Third Quarter of the fiscal year ended November 30, 2020
Information on amounts of net sales, profit (loss) by reportable segment

(Thousand yen)

	Reportable Segment				Adjustment (Notes 1)	Amount recorded in Consolidated Financial Statements (Note 2)
	Japan	Asia	Europe and the U.S.	Total		
Net sales						
Net sales to external customers	21,105,182	5,258,336	3,579,312	29,942,830	—	29,942,830
Inter-segment sales or transfers	935,972	1,662,987	43,153	2,642,114	(2,642,114)	—
Total	22,041,154	6,921,323	3,622,465	32,584,944	(2,642,114)	29,942,830
Segment profit	434,018	214,803	(70,164)	578,658	(160,000)	418,657

- (Notes) 1. The adjustment of ¥(160,000) thousand to segment profit includes corporate expenses of ¥(156,061) thousand not allocated to the reportable segments, and other in the amount of ¥(3,938) thousand.
2. The amount of segment profit has been adjusted with operating profit in the Quarterly Consolidated Statements of Income.

II. For the Third Quarter of the fiscal year ended November 30, 2021
Information on amounts of net sales, profit (loss) by reportable segment

(Thousand yen)

	Reportable Segment				Adjustment (Notes 1)	Amount recorded in Consolidated Financial Statements (Note 2)
	Japan	Asia	Europe and the U.S.	Total		
Net sales						
Net sales to external customers	21,967,622	5,963,395	3,871,913	31,802,932	—	31,802,932
Inter-segment sales or transfers	1,271,885	1,712,240	29,159	3,013,285	(3,013,285)	—
Total	23,239,508	7,675,636	3,901,073	34,816,217	(3,013,285)	31,802,932
Segment profit	942,211	266,910	40,271	1,249,393	(145,270)	1,104,122

- (Notes) 1. The adjustment of ¥(145,270) thousand to segment profit includes corporate expenses of ¥(156,738) thousand not allocated to the reportable segments, and other in the amount of ¥11,467 thousand.
2. The amount of segment profit has been adjusted with operating profit in the Quarterly Consolidated Statements of Income.