

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



January 14, 2022

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 Annual General Meeting of Shareholders: February 25, 2022

Scheduled date of filing annual securities report: February 28, 2022

Scheduled date of commencing dividend payments: February 28, 2022

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for securities analysts and institutional investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended November 30, 2021 (December 1, 2020 to November 30, 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	%
Fiscal year ended								
November 30, 2021	43,636	7.1	1,619	89.1	1,834	97.6	1,407	199.3
November 30, 2020	40,727	(11.4)	856	(50.6)	928	(47.8)	470	(66.5)

(Note) Comprehensive income: Fiscal year ended November 30, 2021: ¥2,346 million [- %]

Fiscal year ended November 30, 2020: ¥129 million [(78.0) %]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
November 30, 2021	51.41	-	4.3	4.1	3.7
November 30, 2020	17.17	-	1.5	2.0	2.1

(Reference) Share of profit (loss) of entities accounted for using equity method:

Fiscal year ended November 30, 2021: ¥65 million

Fiscal year ended November 30, 2020: ¥37 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of November 30, 2021	45,938	33,914	73.7	1,240.70
As of November 30, 2020	43,699	32,015	73.1	1,167.21

(Reference) Equity: As of November 30, 2021: ¥33,858 million

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

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
November 30, 2021	2,644	(401)	(1,380)	11,020
November 30, 2020	2,462	(16)	(1,878)	10,052

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
November 30, 2020	-	13.25	-	4.75	18.00	502	104.8	1.5
November 30, 2021	-	9.00	-	17.00	26.00	724	50.6	2.2
Fiscal year ending November 30, 2022 (Forecast)	-	13.50	-	13.50	27.00		50.8	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending November 30, 2022 (December 1, 2021 to November 30, 2022)

(% 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	45,000	3.1	1,800	11.1	1,850	0.9	1,450	3.0	53.13

* Notes:

- (1) Changes in significant subsidiaries during the fiscal year under review (changes in specified subsidiaries resulting in changes in the scope of consolidation): No
- (2) 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
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
 - 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:
 - November 30, 2021: 3,510,000 shares
 - November 30, 2020: 3,420,060 shares
 - 3) Average number of shares during the period:
 - Fiscal year ended November 30, 2021: 27,372,477 shares
 - Fiscal year ended November 30, 2020: 27,379,940 shares

* These 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 “1. Overview of Business Results, etc. (4) Future Outlook” on page 4.

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 fiscal year under review (from December 1, 2020 to November 30, 2021), despite expectations of an upturn in business conditions with the progress of COVID-19 vaccinations, the business environment remained unclear as the advent of a new variant of COVID-19 led to the renewed spread of the pandemic across the regions.

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 remained 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, yoga and fishing. 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 7.1% year on year to ¥43,636 million. Operating profit increased by 89.1% to ¥1,619 million, ordinary profit increased by 97.6% to ¥1,834 million, and profit attributable to owners of the parent increased by 199.3% to ¥1,407 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 fiscal year under review are as follows.

	1Q		2Q		3Q		4Q	
USD	104.51	(108.76)	106.09	(108.87)	109.52	(107.63)	110.10	(106.22)
EUR	124.58	(120.32)	127.80	(120.09)	131.93	(118.58)	129.82	(124.08)
CNY	15.81	(15.44)	16.38	(15.59)	16.96	(15.17)	17.02	(15.35)
HKD	13.48	(13.90)	13.68	(14.01)	14.10	(13.89)	14.16	(13.71)
TWD	3.67	(3.57)	3.78	(3.62)	3.91	(3.60)	3.95	(3.62)
VND	0.0045	(0.0047)	0.0046	(0.0047)	0.0048	(0.0046)	0.0048	(0.0046)
THB	3.42	(3.59)	3.50	(3.48)	3.50	(3.37)	3.35	(3.39)
MXN	5.08	(5.65)	5.21	(5.49)	5.47	(4.63)	5.50	(4.81)

(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 working wear, sportswear, and products related to outdoor activities increased.

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

As a result, net sales increased by 4.9% year on year to ¥30,229 million.

[Asia]

In the apparel division, sales of accessories related to working wear to Northern Europe in China and Hong Kong, sales of accessories related to babywear to Europe and the U.S., and sales of accessories to major mass

retailers 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 11.5% year on year to ¥8,054 million.

[Europe and the U.S.]

In the apparel division, sales of accessories related to working wear and for products related to leisure increased.

In the consumer product division, sales of automotive interior components to Japanese automotive manufacturers increased.

As a result, net sales increased by 14.1% year on year to ¥5,353 million.

(2) Overview of Financial Position for the Period under Review

Total assets for the fiscal year under review increased by ¥2,238 million from the previous fiscal year-end to ¥45,938 million.

Current assets increased by ¥1,461 million from the previous fiscal year-end to ¥26,957 million. This was mainly attributable to increases in cash and deposits, notes and accounts receivable – trade, and raw materials and supplies of ¥978 million, ¥692 million, and ¥141 million, respectively, and a decrease in merchandise and finished goods of ¥348 million.

Non-current assets increased by ¥778 million from the previous fiscal year-end to ¥18,980 million. This was mainly attributable to increases in investment securities and land of ¥544 million and ¥517 million, respectively, and a decrease in goodwill of ¥129 million.

Current liabilities increased by ¥580 million from the previous fiscal year-end to ¥7,507 million. This was mainly attributable to increases in income taxes payable and notes and accounts payable - trade of ¥385 million and ¥197 million, respectively.

Non-current liabilities decreased by ¥241 million from the previous fiscal year-end to ¥4,515 million. This was mainly attributable to a decrease in long-term borrowings of ¥394 million and an increase in deferred tax liabilities of ¥209 million.

Net assets increased by ¥1,899 million from the previous fiscal year-end to ¥33,914 million.

The shareholders' equity ratio increased from 73.1% to 73.7%, rising by 0.6 points from the previous fiscal year.

(3) Overview of Cash Flows for the Period under Review

The status of cash flows for the fiscal year under review is as follows.

(Cash flows from operating activities)

Cash flows provided by operating activities amounted to ¥2,644 million, compared to cash flows of ¥2,462 million provided in the previous fiscal year. This was mainly attributable to an increase in funds due to profit before income taxes and the recording of depreciation, offsetting a decrease in funds due to an increase in trade receivables.

(Cash flows from investing activities)

Cash flows used in investing activities amounted to ¥401 million, compared to cash flows of ¥16 million used in the previous fiscal year. This was mainly attributable to a decrease in funds due to the purchase of property, plant and equipment, offsetting an increase in funds due to the sale of investment securities.

(Cash flows from financing activities)

Cash flows used in financing activities amounted to ¥1,380 million, compared to cash flows of ¥1,878 million

used in the previous fiscal year. This was mainly attributable to a decrease in funds due to the repayments of long-term borrowings, payment of dividends, and redemption of bonds.

As a result of the above, cash and cash equivalents at the end of the fiscal year under review increased by ¥968 million from the previous fiscal year-end to ¥11,020 million.

Trends of cash flow indicators are as follows.

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020	Fiscal year ended November 30, 2021
Equity ratio (%)	69.2	73.1	73.7
Equity ratio based on fair value (%)	46.4	38.3	38.1
Cash flow to interest-bearing debt ratio (%)	106.0	116.9	81.2
Interest coverage ratio (times)	473.8	175.4	245.6

(Notes)

Equity ratio: Shareholders' equity / Total assets
 Equity ratio based on fair value: Total market value of shares / Total assets
 Cash flow to interest-bearing debt ratio: Interest-bearing debts / Operating cash flow
 Interest coverage ratio: Operating cash flow / Interest paid

- * The indicators were calculated using financial figures on a consolidated basis.
- * The total market value of shares was calculated by multiplying the closing share price by the total number of shares outstanding (less the treasury shares) on the date of the fiscal year-end.
- * Operating cash flow is the amount of net cash provided by (used in) operating activities recorded in the Consolidated Statements of Cash Flows.
- * Among the liabilities recorded on the Consolidated Balance Sheets, interest-bearing debts apply to bonds payable and borrowings.
- * Interest paid is the amount of interest paid recorded on the Consolidated Statements of Cash Flows.

(4) Future Outlook

During the fiscal year under review, the Group operated under the corporate vision of “Creating existence value: Realization of a new Morito Group.”

The impact of COVID-19 is persisting long term, and certain restrictions have been placed on economic activity. However, aiming for consolidated net sales of ¥50,000 million and consolidated operating profit of ¥2,500 million in the fiscal year ending November 30, 2026, the targets established under the Group's 8th mid-term management plan (spanning five years from fiscal 2022 to fiscal 2026), we will implement various initiatives to adapt to rapidly changing markets and new lifestyles.

Regarding the full-year forecast of the Group for the fiscal year ending November 30, 2022, although the outlook for the global economy remains uncertain, due to factors including the renewed spread of COVID-19 and U.S.-China trade friction, the Group will focus on sales of value-added products with a particular emphasis on functionality, sustainability, and ecology, as well as core products. The consolidated financial results for fiscal 2022 are forecasted to exceed those of fiscal 2021, with net sales of ¥45,000 million, operating profit of ¥1,800 million, ordinary profit of ¥1,850 million, and profit attributable to owners of parent of ¥1,450 million.

*Notes on the future outlook

The aforementioned outlook is based on information available at the date of release of these materials. Actual results and other details may differ from the outlook due to various factors in the future such as the renewed spread of COVID-19. We will promptly disclose any changes in forecast figures.

(5) Basic Dividend Policy and Payments for the Period under Review and the Next Period

The Company's basic dividend policy is to secure a sound management foundation, strengthen its financial structure, and improve profitability while recognizing the return of profits to shareholders as an important management issue. Internal reserves will be utilized in areas such as investments aimed at long-term growth, expansions of existing core business, and preparations for new businesses, M&As, and such, in order to increase our corporate value in the future.

Dividends are determined after considering factors such as the financial position and net assets.

- Realize continuous dividend payments
- Maintain a dividend on equity (DOE) of 1.5%
- Depending on business results, dividend payout ratio of 50% or more in relation to profit attributable to owners of parent is the standard

(However, 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.)

From the perspective of striving to further enhance shareholder returns, after considering factors such as the Company's earnings and expenditure balance as well as the share price level, the Company will continuously review the need to flexibly conduct a purchase or retirement of its treasury shares.

For the fiscal year under review, we plan to propose a year-end dividend of ¥17.00 per share in the Annual General Meeting of Shareholders that will be held on February 25, 2022. Accordingly, including the interim dividend of ¥9.00 per share, the annual dividend for the fiscal year under review will amount to ¥26.00 per share.

Regarding dividends for the next fiscal year, based on the above-mentioned basic dividend policy, we plan to pay out an interim dividend of ¥13.50, a year-end dividend of ¥13.50, which will combine to form an annual dividend of ¥27.00.

2. Overview of the Corporate Group

The Group consists of the parent company (the Company), 21 subsidiaries, and 1 associate. The main business of the Group is the sales and manufacturing of materials for lifestyle goods, centering around daily necessities. Business activities of the Group include: sales and manufacturing of materials for lifestyle goods such as apparel, transportation equipment, video equipment, stationery, and OA equipment; sales of lifestyle goods via sales channels that are mass retailers or retail stores of hardware stores and department stores, as a distribution retail-related business; and the rental, sales and cleaning of kitchen appliances.

- ⊙ Consolidated subsidiaries: 20 companies
- Non-consolidated subsidiaries: 1 company
- Associates accounted for using equity method: 1 company

(Japan)

- ⊙ MORITO JAPAN CO., LTD.: Sales of materials for apparel and consumer products
- ⊙ ACE INDUSTRIAL MACHINERY CO., LTD.: Rental, sales, and cleaning of kitchen appliances
- ⊙ MATEX INC.: Manufacturing of apparel secondary materials, design, printing, website creation, desktop publishing, and graphic design production planning
- ⊙ 52DESIGN CO., LTD.: Sales and manufacturing of bags, accessories, clothes, furniture and miscellaneous goods
- ⊙ MANEUVERLINE CO., LTD.: Import, sales and wholesaling of marine leisure, snowboarding, and apparel goods
- ⊙ CANVAS CO., LTD.: A subsidiary of MANEUVERLINE CO., LTD. (100%); import, sales and wholesaling of apparel goods
- Kuraray Fastening Co., Ltd.: Sales and manufacturing of hook and loop fasteners

(Asia)

- ⊙ MORITO SCOVILL HONG KONG Co., LTD.: Sales of materials for apparel and consumer products
- ⊙ MORITO (SHENZHEN) CO., LTD.: A subsidiary of MORITO SCOVILL HONG KONG Co., LTD. (100%); manufacturing of materials for apparel and consumer products
- ⊙ TAIWAN MORITO CO., LTD.: Sales of materials for apparel and consumer products
- ⊙ KANE-M SHANGHAI CO., LTD.: Sales of materials for apparel and consumer products
- ⊙ KANE-M DANANG CO., LTD.: Sales and manufacturing of materials for apparel and consumer products, and operation of rental factories
- ⊙ KANE-M (THAILAND) CO., LTD.: Sales of materials for apparel and consumer products
- ⊙ SHANGHAI NEW WORLD MATEX INTERNATIONAL TRADE CO., LTD.: A subsidiary of MATEX INC. (100%); sales and manufacturing of apparel secondary materials, design, and sales of printing materials both in and outside China
- MATEX BANGKOK CO., LTD.: A subsidiary of MATEX INC. (100%); sales and manufacturing of apparel secondary materials, design, and sales of printing materials both in and outside Thailand
- ⊙ GSG (SCOVILL) FASTENERS ASIA LIMITED: A subsidiary of MORITO SCOVILL AMERICAS, LLC. (100%); sales of materials for apparel and consumer products
- ⊙ SCOVILL FASTENERS INDIA PVT. LIMITED: A subsidiary of MORITO SCOVILL AMERICAS, LLC. (100%); sales of materials for apparel and consumer products

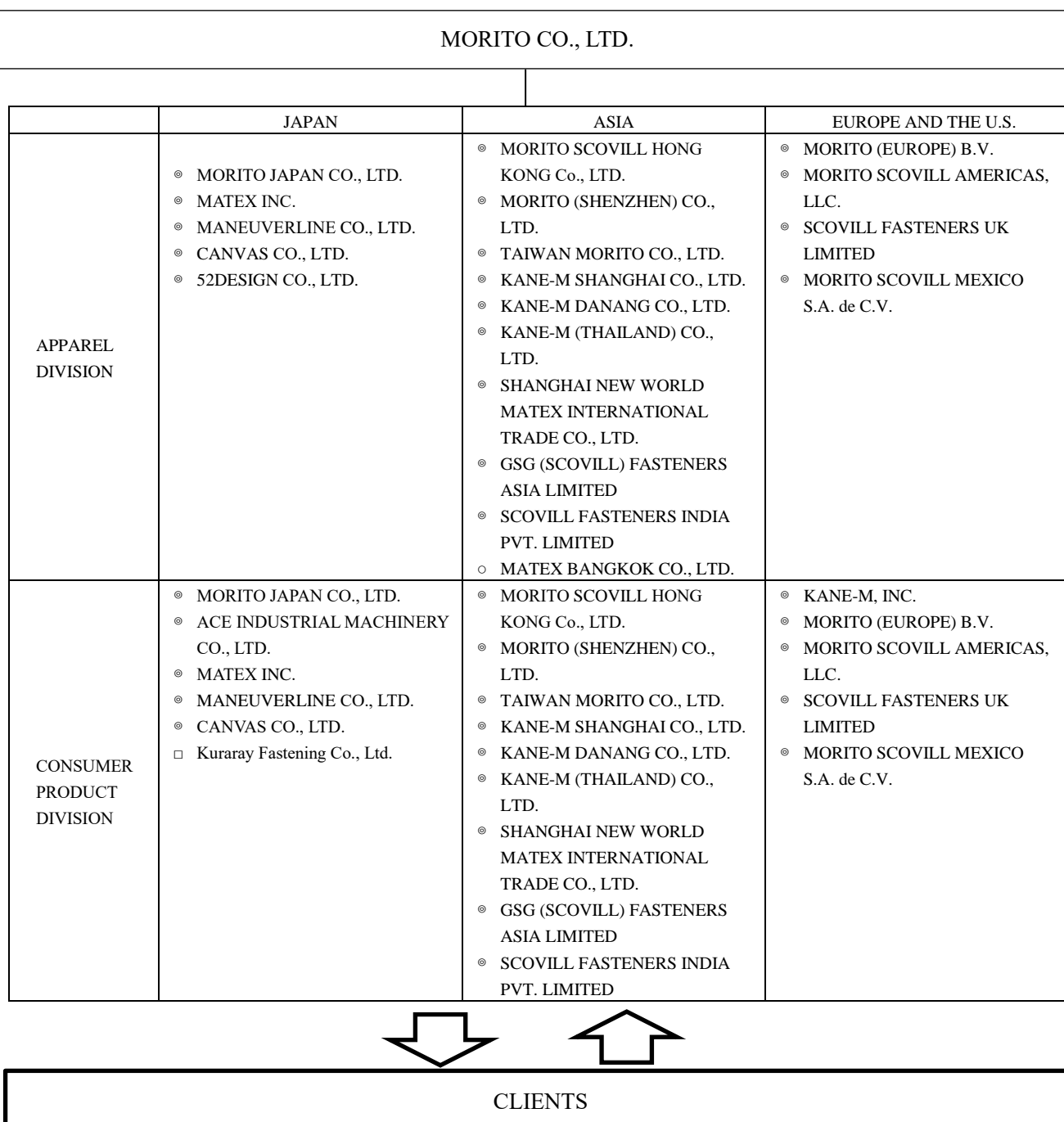
(Europe and the U.S.)

- ⊙ KANE-M, INC.: Sales of materials for consumer products
- ⊙ MORITO (EUROPE) B.V.: Sales of materials for apparel and consumer products
- ⊙ MORITO SCOVILL AMERICAS, LLC.: Sales and manufacturing of materials for apparel and consumer products

- ⊗ SCOVILL FASTENERS UK LIMITED: A subsidiary of MORITO SCOVILL AMERICAS, LLC. (100%); sales of materials for apparel 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%); sales of automobile interior components and apparel accessories

(Note) MATEX BANGKOK CO., LTD. is currently in the process of liquidation.

The Group conducts business with the following organization structure.



(Note) ⊗: Consolidated subsidiaries ○: Non-consolidated subsidiaries □: Associates accounted for using equity method

3. Basic Stance Regarding Choice of Accounting Standards

Taking into consideration the comparability of consolidated financial statements across periods and among companies, the Group's policy is to continue preparing its consolidated financial statements using Japanese GAAP for the time being.

With regard to the application of International Financial Reporting Standards (IFRS), the Group's policy is to respond appropriately based on considerations of the situation in Japan and overseas.

4. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousand yen)

	As of November 30, 2020	As of November 30, 2021
Assets		
Current assets		
Cash and deposits	10,125,070	11,103,207
Notes and accounts receivable - trade	9,957,014	10,649,689
Merchandise and finished goods	3,938,285	3,590,130
Work in process	327,184	352,442
Raw materials and supplies	456,382	598,032
Other	733,414	707,446
Allowance for doubtful accounts	(40,942)	(43,235)
Total current assets	25,496,410	26,957,713
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,463,749	7,650,091
Accumulated depreciation	(3,456,342)	(3,735,844)
Buildings and structures, net	4,007,407	3,914,246
Machinery, equipment and vehicles	2,271,573	2,377,636
Accumulated depreciation	(1,575,838)	(1,764,313)
Machinery, equipment and vehicles, net	695,734	613,323
Tools, furniture and fixtures	2,354,404	2,362,025
Accumulated depreciation	(1,878,222)	(1,973,146)
Tools, furniture and fixtures, net	476,181	388,878
Land	4,076,183	4,594,174
Leased assets	146,782	111,742
Accumulated depreciation	(90,491)	(73,727)
Leased assets, net	56,291	38,015
Right of use assets	384,915	509,268
Accumulated depreciation	(135,111)	(263,468)
Right of use assets, net	249,803	245,800
Construction in progress	4,382	82,532
Total property, plant and equipment	9,565,985	9,876,970
Intangible assets		
Goodwill	2,561,362	2,432,266
Leased assets	7,565	5,708
Other	1,082,213	1,031,775
Total intangible assets	3,651,142	3,469,750
Investments and other assets		
Investment securities	3,940,908	4,485,900
Long-term loans receivable	54,000	48,000
Deferred tax assets	417,186	462,373
Retirement benefit asset	221,671	241,832
Other	418,693	504,360
Allowance for doubtful accounts	(67,945)	(108,676)
Total investments and other assets	4,984,514	5,633,790
Total non-current assets	18,201,643	18,980,511
Deferred assets	1,400	—
Total assets	43,699,454	45,938,224

(Thousand yen)

	As of November 30, 2020	As of November 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,255,918	4,453,854
Short-term borrowings	50,000	50,000
Current portion of bonds payable	200,000	—
Current portion of long-term borrowings	530,000	394,620
Income taxes payable	98,125	483,951
Provision for bonuses	184,683	286,425
Provision for bonuses for directors (and other officers)	50,841	86,065
Other	1,557,809	1,752,857
Total current liabilities	6,927,378	7,507,774
Non-current liabilities		
Long-term borrowings	2,097,922	1,703,302
Deferred tax liabilities	1,019,472	1,229,154
Deferred tax liabilities for land revaluation	275,959	275,959
Provision for share awards	37,453	32,274
Provision for retirement benefits for directors (and other officers)	62,099	32,158
Provision for share awards for directors (and other officers)	75,432	91,650
Provision for environmental measures	18,974	20,075
Retirement benefit liability	918,297	911,731
Other	251,123	219,273
Total non-current liabilities	4,756,735	4,515,579
Total liabilities	11,684,114	12,023,354
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	26,726,521
Treasury shares	(2,227,056)	(2,289,615)
Total shareholders' equity	30,516,416	31,477,001
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	945,536	1,321,667
Deferred gains or losses on hedges	118	4,612
Revaluation reserve for land	451,115	451,115
Foreign currency translation adjustment	112,743	641,116
Remeasurements of defined benefit plans	(67,659)	(36,922)
Total accumulated other comprehensive income	1,441,855	2,381,589
Share acquisition rights	57,067	56,280
Non-controlling interests	—	—
Total net assets	32,015,339	33,914,870
Total liabilities and net assets	43,699,454	45,938,224

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

(Thousand yen)

	For the fiscal year ended November 30, 2020	For the fiscal year ended November 30, 2021
Net sales	40,727,340	43,636,848
Cost of sales	30,153,485	32,235,770
Gross profit	10,573,854	11,401,077
Selling, general and administrative expenses		
Salaries	3,317,633	3,281,014
Bonuses	518,167	609,669
Welfare expenses	765,766	782,211
Retirement benefit expenses	187,652	220,126
Provision for bonuses for directors (and other officers)	63,357	82,867
Provision for retirement benefits for directors (and other officers)	7,975	5,033
Provision for share awards for directors (and other officers)	19,003	16,217
Communication expenses	117,786	108,031
Freight and packing costs	1,397,117	1,461,317
Provision of allowance for doubtful accounts	11,479	41,265
Commission expenses	784,050	646,752
Rent expenses	177,487	154,391
Depreciation	539,807	510,657
Other	1,810,101	1,861,736
Total selling, general and administrative expenses	9,717,387	9,781,293
Operating profit	856,467	1,619,783
Non-operating income		
Interest income	14,108	9,721
Dividend income	79,325	85,538
Rental income from real estate	66,643	68,812
Share of profit of entities accounted for using equity method	37,208	65,078
Subsidies for employment adjustment	63,301	111,854
Other	71,662	58,855
Total non-operating income	332,250	399,860
Non-operating expenses		
Interest expenses	14,437	10,700
Sales discounts	65,753	59,080
Depreciation of assets for rent	37,260	22,579
Foreign exchange losses	60,798	34,895
Other	82,312	58,128
Total non-operating expenses	260,563	185,384
Ordinary profit	928,154	1,834,260

(Thousand yen)

	For the fiscal year ended November 30, 2020	For the fiscal year ended November 30, 2021
Extraordinary income		
Gain on sale of non-current assets	867	360
Gain on sale of investment securities	15,263	378,617
Gain on reversal of share acquisition rights	630	787
Total extraordinary income	16,761	379,764
Extraordinary losses		
Loss on sale of non-current assets	17,526	29
Loss on retirement of non-current assets	40,152	30,879
Loss on sale of investment securities	—	139
Loss on sale of golf club membership	1,080	—
Loss on valuation of investment securities	16,080	—
Loss on valuation of golf club membership	5,374	200
Impairment losses	—	16,926
Loss on business restructuring	31,928	34,365
Loss due to new corona virus infection	26,561	9,456
Total extraordinary losses	138,703	91,997
Profit before income taxes	806,212	2,122,027
Income taxes - current	416,227	771,950
Income taxes - deferred	(80,113)	(57,129)
Total income taxes	336,114	714,820
Profit	470,097	1,407,207
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	470,097	1,407,207

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended November 30, 2020	For the fiscal year ended November 30, 2021
Profit	470,097	1,407,207
Other comprehensive income		
Valuation difference on available-for-sale securities	(239,898)	376,130
Deferred gains or losses on hedges	(828)	4,493
Foreign currency translation adjustment	(57,556)	528,372
Remeasurements of defined benefit plans, net of tax	(41,935)	30,736
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	(340,219)	939,734
Comprehensive income	129,877	2,346,941
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	129,877	2,346,941
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Equity
For the fiscal year ended November 30, 2020

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,532,492	3,503,243	26,072,687	(2,222,696)	30,885,726
Changes during period					
Dividends of surplus			(732,691)		(732,691)
Profit attributable to owners of parent			470,097		470,097
Purchase of treasury shares				(31,120)	(31,120)
Disposal of treasury shares		4,360		26,760	31,120
Effect of change of scope of consolidation			(106,715)		(106,715)
Net changes in items other than shareholders' equity					
Total changes during period	—	4,360	(369,309)	(4,360)	(369,309)
Balance at end of period	3,532,492	3,507,603	25,703,378	(2,227,056)	30,516,416

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,185,435	946	451,115	170,300	(25,723)	1,782,074	57,697	—	32,725,498
Changes during period									
Dividends of surplus									(732,691)
Profit attributable to owners of parent									470,097
Purchase of treasury shares									(31,120)
Disposal of treasury shares									31,120
Effect of change of scope of consolidation									(106,715)
Net changes in items other than shareholders' equity	(239,898)	(828)	—	(57,556)	(41,935)	(340,219)	(630)	—	(340,849)
Total changes during period	(239,898)	(828)	—	(57,556)	(41,935)	(340,219)	(630)	—	(710,159)
Balance at end of period	945,536	118	451,115	112,743	(67,659)	1,441,855	57,067	—	32,015,339

For the fiscal year ended November 30, 2021

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,532,492	3,507,603	25,703,378	(2,227,056)	30,516,416
Changes during period					
Dividends of surplus			(384,063)		(384,063)
Profit attributable to owners of parent			1,407,207		1,407,207
Purchase of treasury shares				(63,496)	(63,496)
Disposal of treasury shares				937	937
Effect of change of scope of consolidation					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	1,023,143	(62,559)	960,584
Balance at end of period	3,532,492	3,507,603	26,726,521	(2,289,615)	31,477,001

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	945,536	118	451,115	112,743	(67,659)	1,441,855	57,067	—	32,015,339
Changes during period									
Dividends of surplus									(384,063)
Profit attributable to owners of parent									1,407,207
Purchase of treasury shares									(63,496)
Disposal of treasury shares									937
Effect of change of scope of consolidation									—
Net changes in items other than shareholders' equity	376,130	4,494	—	528,372	30,736	939,734	(787)	—	938,946
Total changes during period	376,130	4,494	—	528,372	30,736	939,734	(787)	—	1,899,531
Balance at end of period	1,321,667	4,612	451,115	641,116	(36,922)	2,381,589	56,280	—	33,914,870

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended November 30, 2020	For the fiscal year ended November 30, 2021
Cash flows from operating activities		
Profit before income taxes	806,212	2,122,027
Depreciation	962,214	937,238
Impairment losses	—	16,926
Amortization of goodwill	237,745	237,327
Increase (decrease) in provision for bonuses	(45,929)	97,841
Decrease (increase) in retirement benefit asset	511	15,313
Increase (decrease) in retirement benefit liability	11,276	15,942
Increase (decrease) in provision for retirement benefits for directors (and other officers)	4,850	(29,941)
Increase (decrease) in provision for share awards	5,629	(5,178)
Increase (decrease) in provision for share awards for directors (and other officers)	19,003	16,217
Increase (decrease) in allowance for doubtful accounts	10,863	40,330
Interest and dividend income	(93,434)	(95,259)
Interest expenses	13,888	10,700
Subsidies for employment adjustment	(63,301)	(111,854)
Share of loss (profit) of entities accounted for using equity method	(37,208)	(65,078)
Gain on reversal of share acquisition rights	(630)	(787)
Loss (gain) on sale of non-current assets	16,658	(330)
Loss (gain) on sale of investment securities	(15,263)	(378,477)
Loss (gain) on sale of golf club membership	1,080	—
Loss (gain) on valuation of investment securities	16,080	—
Loss on valuation of golf club membership	5,374	200
Loss on retirement of non-current assets	40,152	30,879
Decrease (increase) in trade receivables	1,811,874	(542,641)
Decrease (increase) in inventories	370,029	310,449
Increase (decrease) in trade payables	(599,590)	19,780
Other, net	(313,206)	197,485
Subtotal	3,164,880	2,839,112
Interest and dividends received	93,456	95,244
Interest paid	(14,036)	(10,767)
Proceeds from Subsidies for employment adjustment	42,004	96,277
Income taxes paid	(823,727)	(375,843)
Net cash provided by (used in) operating activities	2,462,577	2,644,023
Cash flows from investing activities		
Payments into time deposits	—	(79,000)
Proceeds from withdrawal of time deposits	220,295	88,596
Purchase of investment securities	(27,811)	(35,038)
Proceeds from sale of investment securities	61,929	473,619
Purchase of property, plant and equipment	(251,301)	(784,947)
Proceeds from sale of property, plant and equipment	34,274	967
Purchase of intangible assets	(81,873)	(67,976)
Proceeds from sale of shares of subsidiaries and associates	29,287	—
Proceeds from collection of loans receivable	7,200	6,800
Other, net	(8,762)	(4,729)
Net cash provided by (used in) investing activities	(16,761)	(401,707)

(Thousand yen)

	For the fiscal year ended November 30, 2020	For the fiscal year ended November 30, 2021
Cash flows from financing activities		
Repayments of lease obligations	(41,903)	(21,165)
Repayments of lease liabilities	(150,370)	(181,607)
Repayments of long-term borrowings	(553,334)	(530,000)
Redemption of bonds	(400,000)	(200,000)
Proceeds from sale of treasury shares	31,120	—
Purchase of treasury shares	(31,120)	(63,496)
Dividends paid	(732,691)	(384,063)
Net cash provided by (used in) financing activities	(1,878,299)	(1,380,332)
Effect of exchange rate change on cash and cash equivalents	9,444	106,057
Net increase (decrease) in cash and cash equivalents	576,961	968,040
Cash and cash equivalents at beginning of period	9,442,330	10,052,070
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	32,779	—
Cash and cash equivalents at end of period	10,052,070	11,020,111

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Additional Information)

(Impact of COVID-19 pandemic on accounting estimates)

In the fiscal year under review (from December 1, 2020 to November 30, 2021), despite expectations of an upturn in business conditions with the progress of COVID-19 vaccinations, the business environment remained unclear as the advent of a new variant of COVID-19 led to the renewed spread of the infection across the regions.

Amid such circumstances, the Group, which engages in the handling of apparel materials and consumer products, estimated future cash flows and made accounting estimates related to the application of impairment accounting to non-current assets (including goodwill) for the fiscal year under review in the segments of Japan, Asia, Europe and the U.S. based on the following assumptions:

In Japan, we assume that the economy will gradually recover after the end of the fiscal year ending November 30, 2022, and will recover to the levels of the fiscal year ended November 30, 2019 in the fiscal year ending November 30, 2023.

In Asia, the economy is already in a recovery trend, and we assume that it will recover to the levels of the fiscal year ended November 30, 2019 in the fiscal year ending November 30, 2022.

In Europe and the U.S., we assume that it will recover to the levels of the fiscal year ended November 30, 2019 in the fiscal year ending November 30, 2022, as in Asia.

While estimates are made according to information currently available, the Group's business results and financial position may be affected in the event of any discrepancies between assumed recovery trends and actual trends in the future.

(Segment Information, etc.)

[Segment information]

1. Overview of reportable segments

The Group's reportable segments are those constituent units for which discrete financial information is available, and for which the Board of Directors conducts regular reviews for the purposes of making decisions on the allocation of resources and assessing performance.

The main business of the Group is the sales and manufacturing of materials for lifestyle goods, centering around daily necessities. Operations in Japan are mainly carried out by MORITO JAPAN CO., LTD., operations in Asia are mainly carried out by local subsidiaries in China, Hong Kong, and Taiwan, and operations in Europe and the U.S. are mainly carried out by local subsidiaries in the U.S. and the Netherlands. The Company and its local subsidiaries, etc. are independently managed units, but the Group formulates comprehensive strategies for business activities across all regions.

The Group therefore consists of three regional segments, each of which is a reportable segment: Japan, Asia, and Europe and the U.S.

2. Method used to calculate amounts of net sales, profit (loss), assets, liabilities and other items by reportable segment

The accounting treatment used for each of the reportable segments is substantially the same as the accounting treatment used in the preparation of the consolidated financial statements.

The amounts presented for the profit of reportable segments represent operating profit.

The amounts presented for inter-segment sales or transfers are based on prevailing market prices.

3. Information on amounts of net sales, profit (loss), assets, liabilities and other items by reportable segment

I. For the fiscal year ended November 30, 2020

(Thousand yen)

	Reportable Segment				Adjustment (Notes 1, 3)	Amount recorded in Consolidated Financial Statements (Note 2)
	Japan	Asia	Europe and the U.S.	Total		
Net sales						
Net sales to external customers	28,810,688	7,225,029	4,691,622	40,727,340	—	40,727,340
Inter-segment sales or transfers	1,285,134	2,194,204	54,330	3,533,668	(3,533,668)	—
Total	30,095,822	9,419,234	4,745,952	44,261,009	(3,533,668)	40,727,340
Segment profit (loss)	868,563	255,957	(63,042)	1,061,478	(205,011)	856,467
Segment assets	29,019,427	6,351,442	6,050,196	41,421,066	2,278,387	43,699,454
Other items						
Depreciation	488,951	294,710	178,552	962,214	—	962,214
Increase in property, plant and equipment and intangible assets	277,262	195,754	56,934	529,952	—	529,952

(Notes) 1. The adjustment of ¥(205,011) thousand to segment profit includes corporate expenses of ¥(210,100) thousand not allocated to the reportable segments, and other in the amount of ¥5,088 thousand.

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

3. The amount of the adjustment to segment assets of ¥2,278,387 thousand includes inter-segment elimination of ¥(8,932,180) thousand, and corporate assets of ¥11,210,568 thousand not allocated to the reportable segments. Corporate assets mainly refer to the financial assets (cash and deposits, investment securities, etc.) held by the Company, which is the holding company of the Group.

4. Some overseas consolidated subsidiaries applied IFRS 16 "Leases" from the beginning of the fiscal year ended November 30, 2020, where in principle, lessees recognize all leases as assets and liabilities.

The impact of this change on segment results is immaterial.

II. For the fiscal year ended November 30, 2021

(Thousand yen)

	Reportable Segment				Adjustment (Notes 1, 3)	Amount recorded in Consolidated Financial Statements (Note 2)
	Japan	Asia	Europe and the U.S.	Total		
Net sales						
Net sales to external customers	30,229,154	8,054,328	5,353,364	43,636,848	—	43,636,848
Inter-segment sales or transfers	1,717,321	2,408,394	52,375	4,178,091	(4,178,091)	—
Total	31,946,475	10,462,723	5,405,740	47,814,939	(4,178,091)	43,636,848
Segment profit	1,375,514	401,180	56,929	1,833,625	(213,841)	1,619,783
Segment assets	30,798,110	6,091,162	6,691,907	43,581,180	2,357,044	45,938,224
Other items						
Depreciation	410,717	314,565	211,954	937,238	—	937,238
Increase in property, plant and equipment and intangible assets	791,151	173,213	106,048	1,070,413	—	1,070,413

- (Notes) 1. The adjustment of ¥(213,841) thousand to segment profit includes corporate expenses of ¥(213,877) thousand not allocated to the reportable segments, and other in the amount of ¥(36) thousand.
2. The amount of segment profit has been adjusted with operating profit in the Consolidated Statements of Income.
3. The amount of the adjustment to segment assets of ¥2,357,044 thousand includes inter-segment elimination of ¥(9,518,492) thousand, and corporate assets of ¥11,875,536 thousand not allocated to the reportable segments. Corporate assets mainly refer to the financial assets (cash and deposits, investment securities, etc.) held by the Company, which is the holding company of the Group.

(Per Share Information)

Item	Previous fiscal year (December 1, 2019 to November 30, 2020)	Fiscal year under review (December 1, 2020 to November 30, 2021)
Net assets per share	¥1,167.21	¥1,240.70
Basic earnings per share	¥17.17	¥51.41
Diluted earnings per share	—	—

- (Notes)
1. The number of common shares that are treasury shares used to calculate “net assets per share” includes the Company’s shares (376 thousand shares in the previous fiscal year, 373 thousand shares in the fiscal year under review) held by Custody Bank of Japan, Ltd. (trust account E), and the Company’s shares (175 thousand shares in the previous fiscal year, 175 thousand shares in the fiscal year under review) held by The Master Trust Bank of Japan, Ltd. (officer remuneration BIP trust account).
 2. The average number of common shares during the period that are treasury shares used to calculate “basic earnings per share” includes the Company’s shares (376 thousand shares in the previous fiscal year, 374 thousand shares in the fiscal year under review) held by Custody Bank of Japan, Ltd. (trust account E), and the Company’s shares (166 thousand shares in the previous fiscal year, 175 thousand shares in the fiscal year under review) held by The Master Trust Bank of Japan, Ltd. (officer remuneration BIP trust account).
 3. Diluted earnings per share are not stated as there were no residual shares with a dilutive effect.

(Note) Basis for the Calculations

1. Net assets per share

Item	As of November 30, 2020	As of November 30, 2021
Total net assets on Consolidated Balance Sheets (Thousand yen)	32,015,339	33,914,870
Amount deducted from total net assets (Thousand yen)	57,067	56,280
[Including: Share acquisition rights (Thousand yen)]	[57,067]	[56,280]
[Including: Non-controlling interests (Thousand yen)]	—	—
Net assets relating to common shares (Thousand yen)	31,958,271	33,858,590
Number of common issued shares (Thousand shares)	30,800	30,800
Number of common shares that are treasury shares (Thousand shares)	3,420	3,510
Number of common shares used to calculate net assets per share (Thousand shares)	27,379	27,290

(Note) The number of common shares that are treasury shares used to calculate net assets per share includes the Company’s shares held respectively by Custody Bank of Japan, Ltd. (trust account E) and The Master Trust Bank of Japan, Ltd. (officer remuneration BIP trust account) as treasury shares.

2. Basic earnings per share

Item	Previous fiscal year (December 1, 2019 to November 30, 2020)	Fiscal year under review (December 1, 2020 to November 30, 2021)
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	470,097	1,407,207
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit attributable to owners of parent relating to common shares (Thousand yen)	470,097	1,407,207
Average number of common shares during the period (Thousand shares)	27,379	27,372
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect	Share acquisition rights resolved by the Board of Directors and at the Annual General Meeting of Shareholders held on February 25, 2016 Common shares: 543,500	Share acquisition rights resolved by the Board of Directors and at the Annual General Meeting of Shareholders held on February 25, 2016 Common shares: 536,000

(Note) The average number of common shares during the period used to calculate basic earnings per share and diluted earnings per share includes the Company's shares held respectively by Custody Bank of Japan, Ltd. (trust account E) and The Master Trust Bank of Japan, Ltd. (officer remuneration BIP trust account) as treasury shares.

5. Other Information

(1) Changes in Officers

1. Changes of representative
Not applicable.
2. Changes of other officers
Not applicable.