

MORITO CO., LTD.

Presentation Materials for the Six Months of the Fiscal Year Ending November 30, 2024, Financial Results

Prime Market of TSE: 9837

July 2024

Where innovation is the norm

MORITO

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(Announced in January 2024)**
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1

Company Profile

Morito Group Values

Founding Principles

Active and Steadfast

Corporate Principle

DESIGN YOUR BRIGHT FUTURE WITH OUR VARIOUS PARTS.

Corporate Vision

**Create Morito's existence value,
Realize "New Morito Group"**

Company Profile

● Founded in 1908

- Began operating in Osaka as a broker of eyelets and snap fasteners
- Later expanded operations mainly for sales of MAGIC TAPE® and other clothing accessories, automotive interior components, etc.

● Trading company with manufacturing functions

- A specialized trading company that handles everything from planning and development to manufacturing, wholesale, and distribution
- Operating in 19 locations around the world

● Operating three businesses

- Apparel, product, and transportation businesses form the core of our operations
- Ratio of in-house production and procurement is 3:7



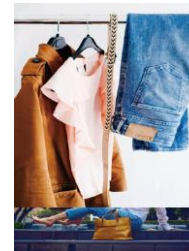
Eyelets

Snap fasteners



MAGIC TAPE®

*Eyelet: A metal ring attached to a hole in shoes, clothing, etc. through which a lace or cord is threaded



Operations by Business

Apparel Business

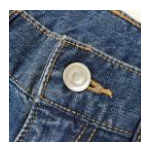
<Examples of products handled>



Snap fasteners



MAGIC TAPE®



Buttons



Tape



Eyelets and shoelaces



In-house brands

<Applications>

Casual wear/shoes

Sportswear/shoes

Workwear/shoes

Medical wear, baby wear

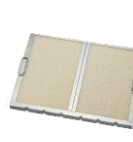
Formal wear/shoes, bags

Product Business

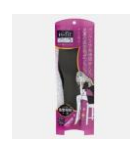
<Examples of products handled>



MAGIC TAPE®



Grease filter



Insoles



Straps



Skateboards, snowboards, and surfboards



In-house brands

<Applications>

Insoles and shoe care products

Video equipment-related products such as camera and PC cases,

braces and supports, safety products, teaching tools and stationery

Skateboards, surfboards, etc.

Active sports products

Grease filter rental service

Transportation Business

<Examples of products handled>



Snap fasteners



MAGIC TAPE®



Nets



Emblems



Trunk floor lining



Door armrests

<Applications>

Automotive interior components

Railway and Shinkansen interior components

Aircraft interior components

Morito's Strengths

- **Lines of business for daily necessities, which are unaffected by trends**

Since we deal in parts for things that are vital to people's daily lives, many of our businesses are essentially immune to trends or economic downturns and can continue to operate as usual.

- **Stable performance with a diversified portfolio**

Operating worldwide with three core businesses focused on apparel, products, and transportation, we have maintained a stable financial performance without falling into the red despite the impact of the oil crises (in the 1970s), the 2008 financial crisis, and the COVID-19 pandemic.

- **Enjoying high market share for various products targeting niche areas**

Many products dominate the market in their respective industry.

We have the top market share for metal snap fasteners in Japan, and the highest or second-highest in the world.

- **Global manufacturing, procurement, and sales capabilities**

In addition to our own locations, we have partner plants and distributors all over the world, giving us close proximity to our customers and the ability to respond to their every need.



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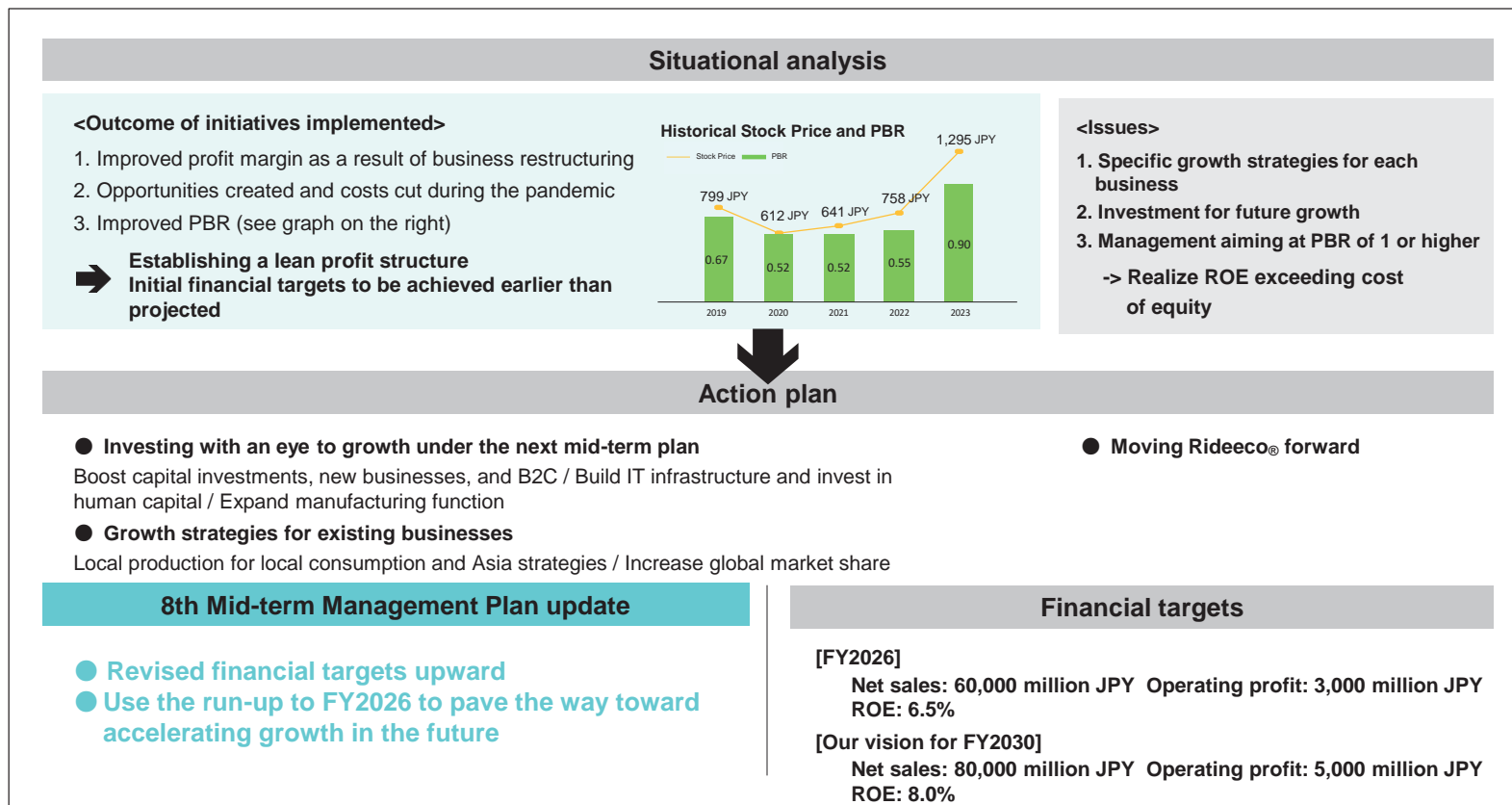
8th Mid-term Management Plan (Announced in January 2024)

Medium- and Long-term Policy Morito's Vision

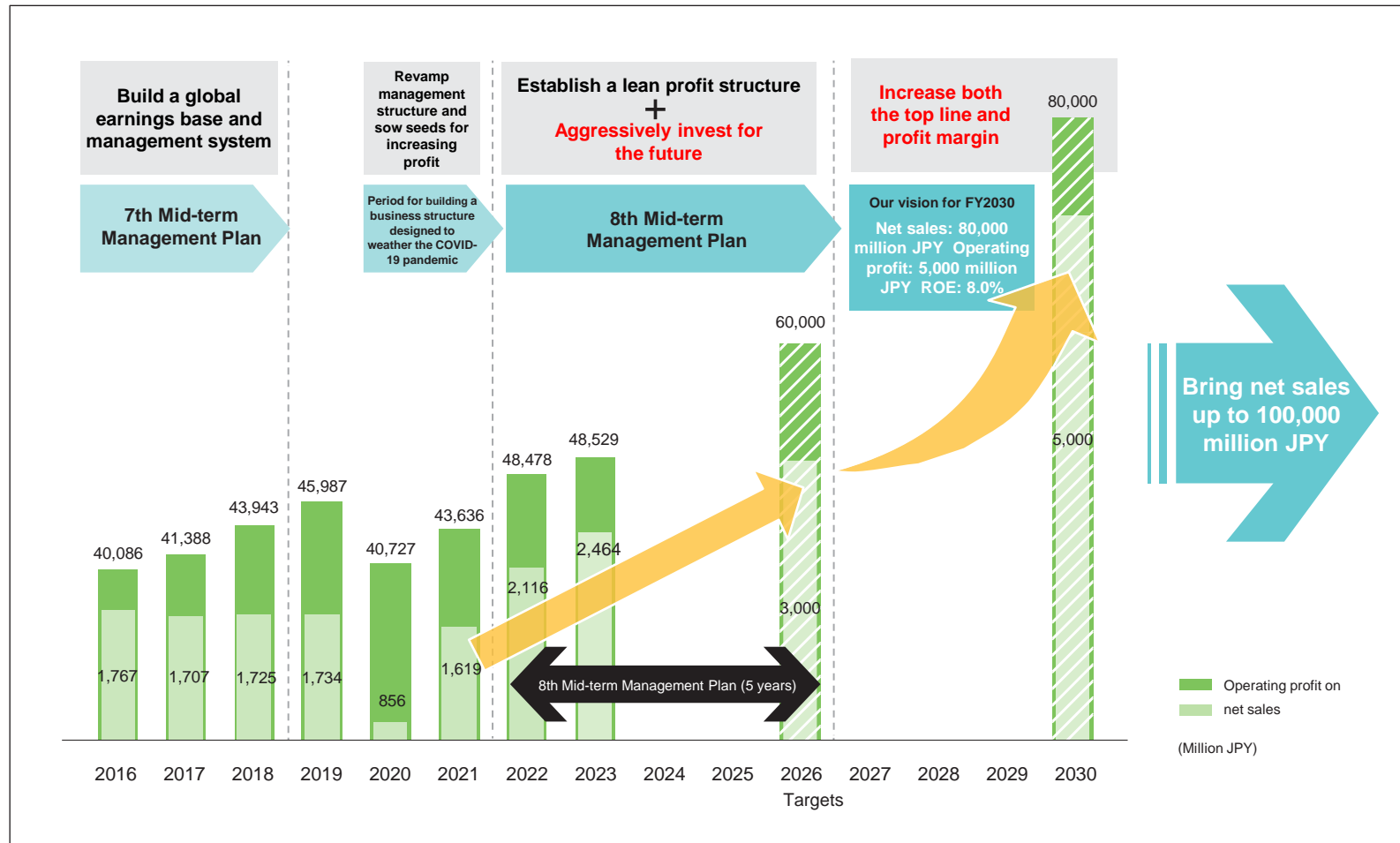
**Become a global niche top company that
keeps making a big difference in the world
with small parts**

Summary of 8th Mid-term Management Plan Update (Announced in January 2024)

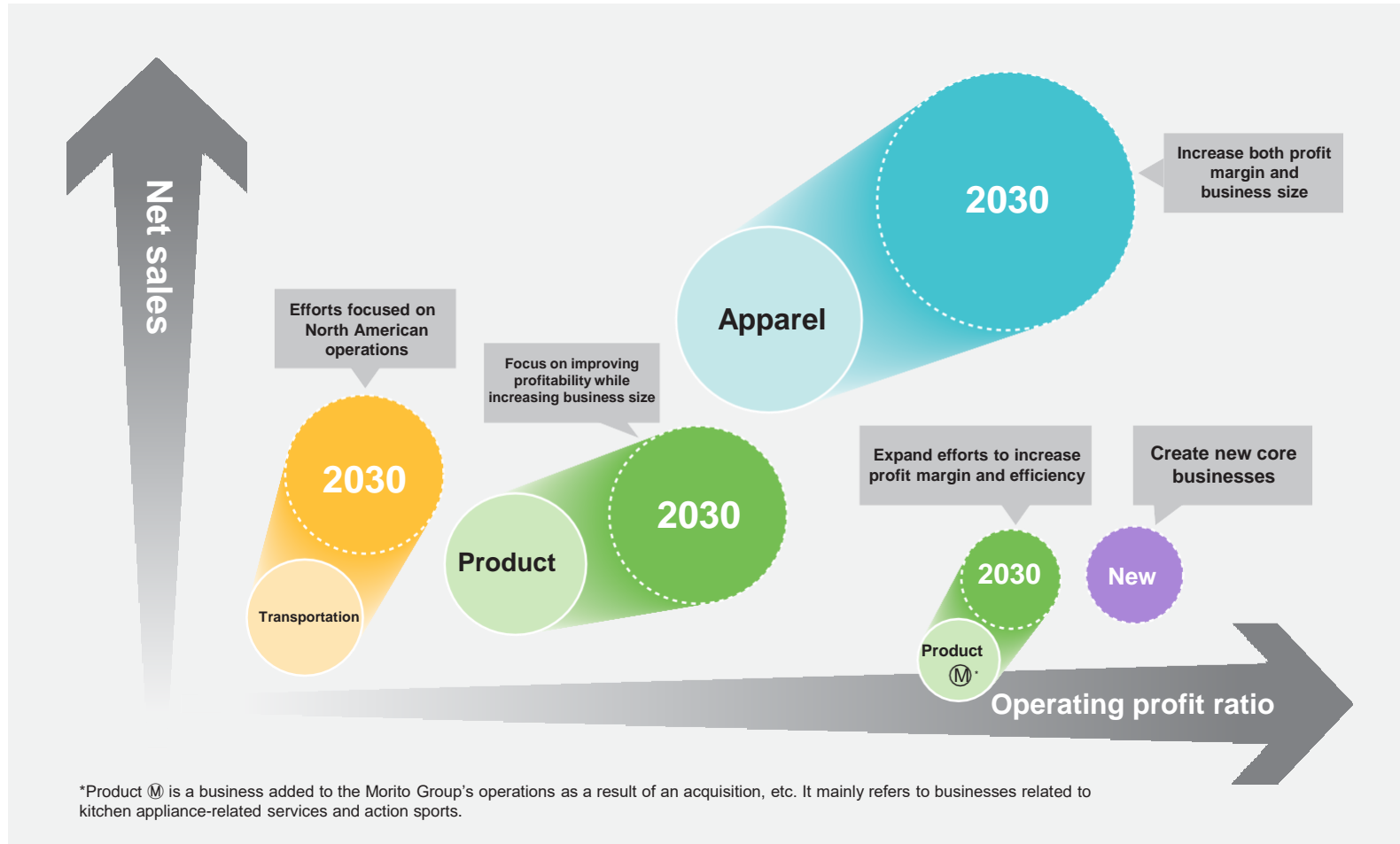
We updated the 8th Mid-term Management Plan in anticipation of achieving our initial financial targets earlier than planned thanks to the improved profit margin as a result of business restructuring and the opportunities created and costs cut during the pandemic, which enabled us to establish a lean profit structure (designed to create more customer value using fewer resources than a traditional structure).



Roadmap to 100,000 Million JPY in Net Sales



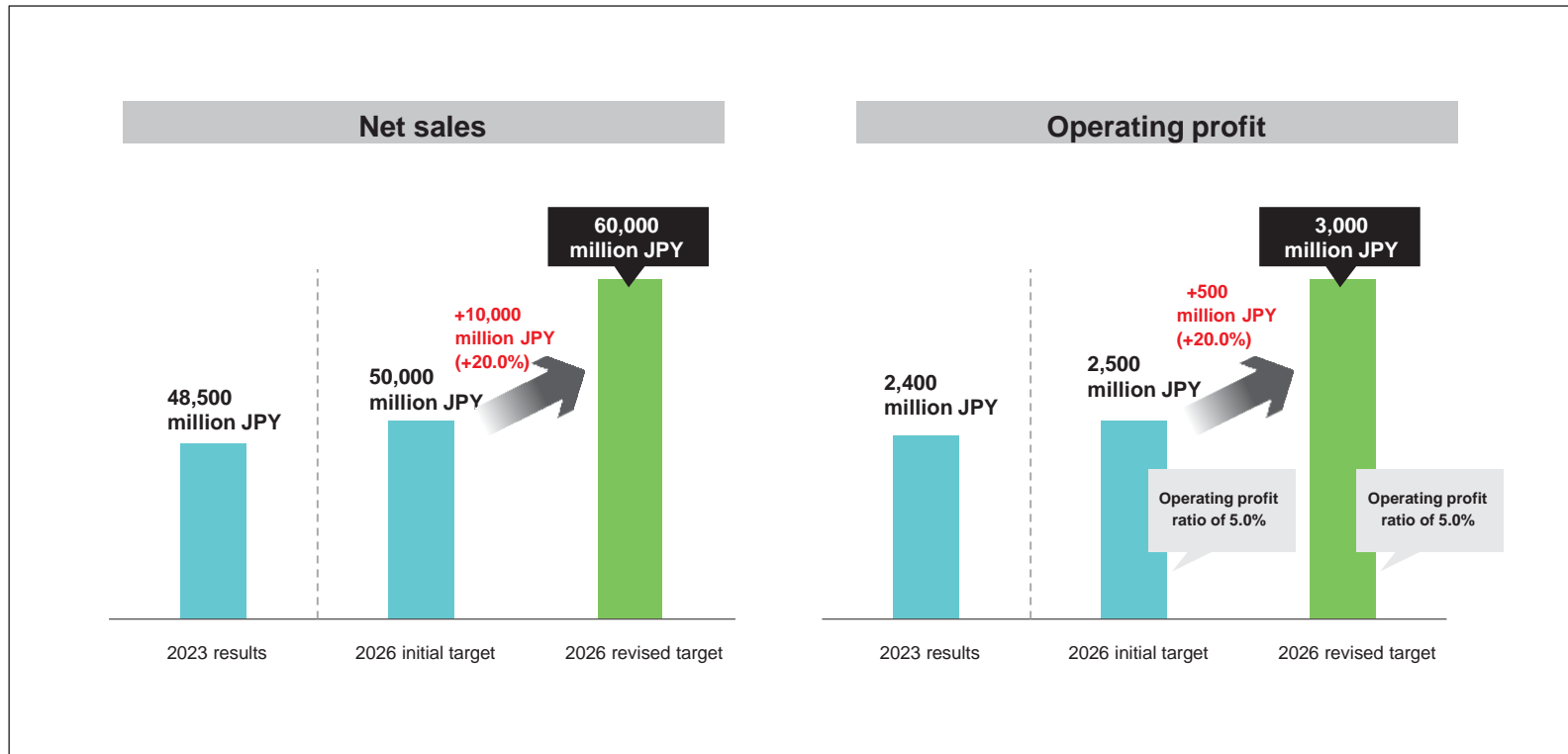
Current Status and Vision for 2030 by Business



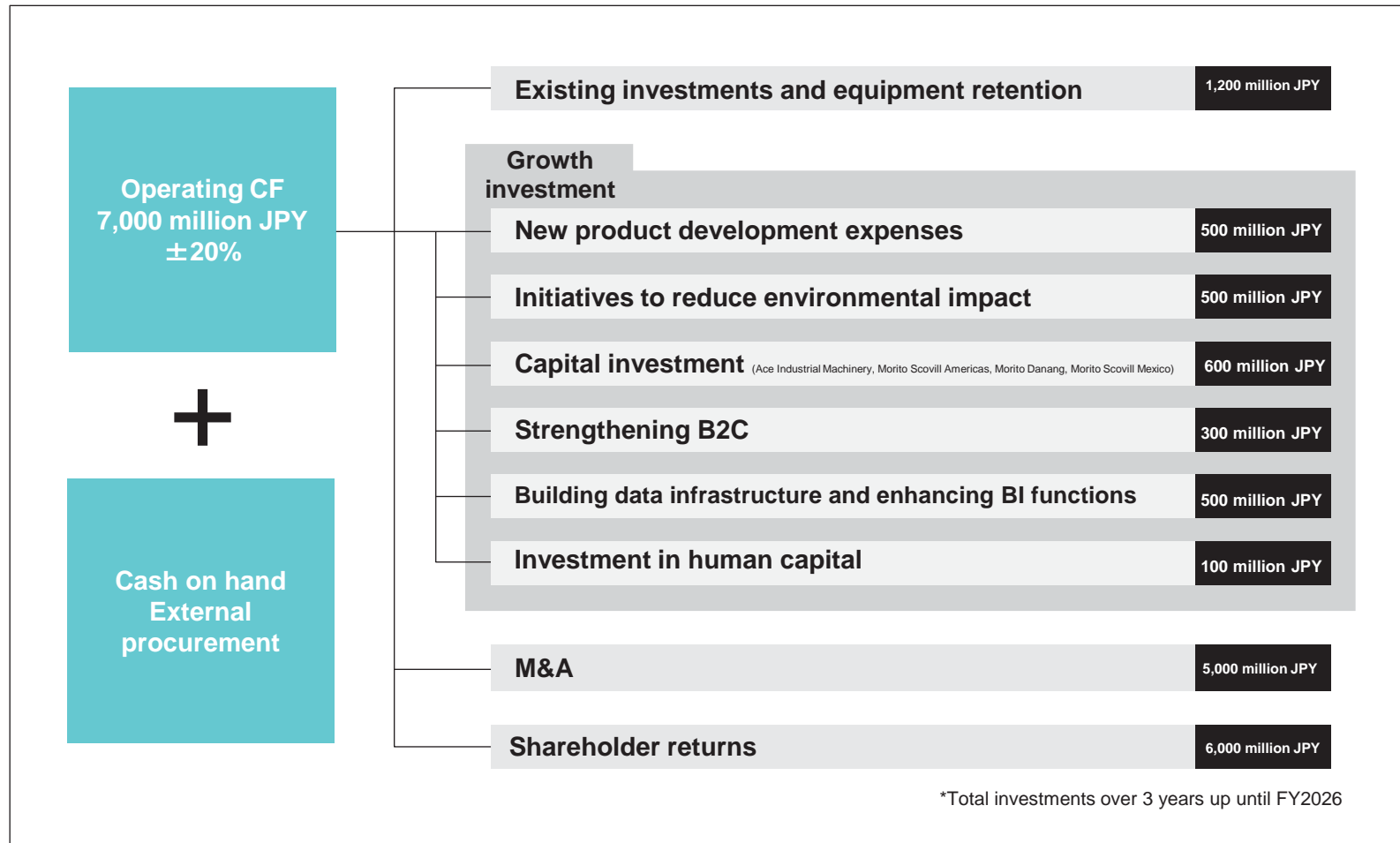
Financial Target Update

Focus on increasing our top line, in addition to keeping the recently improved profit margin up.

Aim to achieve further growth in both sales and operating profit after the 8th Mid-term Management Plan period although we expect growth in operating profit to remain within a certain range due to aggressive investment.



Investment Strategy

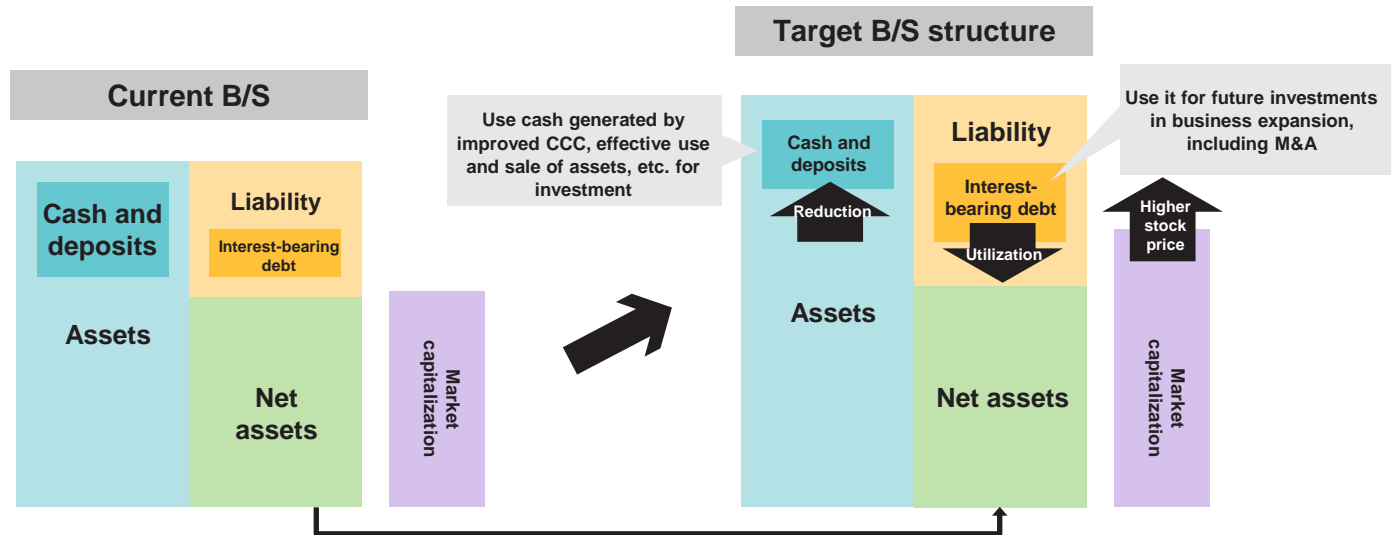


Investment Strategy [M&A]



Corporate Strategy [Capital and Financial Strategy: Overview]

- Expand business through aggressive growth investment (see p. 13 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

► For more information about the 8th Mid-Term Management Plan Update, [click here](#).

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 <small>*Total for the FY2024 – FY2026 period</small>	Increase growth investment

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FY2024.11 2Q Financial Results

FY2024 2Q Highlights

- 2Q operating profit and ordinary profit hit all-time highs since we began reporting semiannual results for the third consecutive fiscal year.
- Continued efforts to streamline unprofitable businesses resulted in improved profits although we still have some issues with net sales.
- The apparel and product businesses were affected by inventory adjustments and production cutbacks by manufacturers in Japan due to a warm winter and the end of the post-pandemic surge in demand.
- The apparel business is on the road to recovery from stagnant demand for products sold in Europe and the U.S. and inventory adjustments.

FY2024 2Q Summary of Financial Results

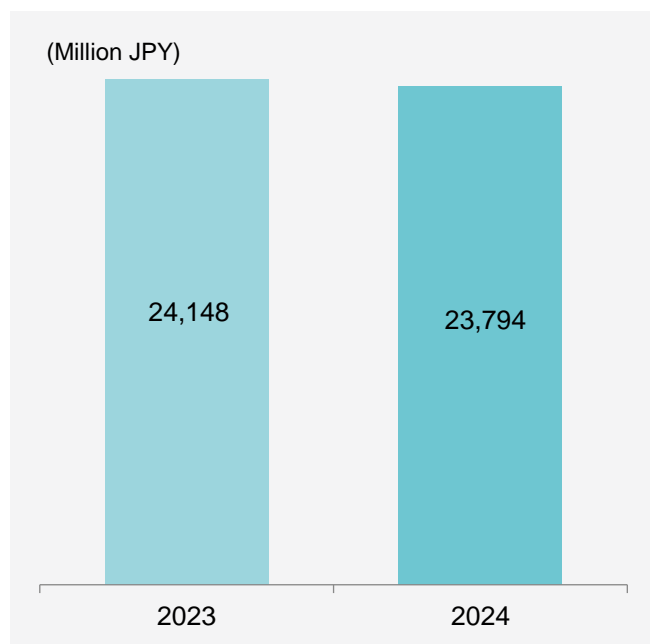
Net sales decreased due to a warm winter and inventory adjustments, especially in Japan. Made good progress in turning a profit, especially in terms of gross profit ratio, thanks to business restructuring, withdrawal from unprofitable businesses, and sales efforts.

	2023.2Q	2024.2Q	Increase/ Decrease	Y/Y
Net sales	24,148	23,749	-399	-1.7%
Gross profit	6,541	6,933	+392	+6.0%
Gross profit ratio	27.1%	29.2%		
Cost	5,236	5,449	+213	+4.1%
Cost ratio	21.7%	22.9%		
Operating profit	1,305	1,483	+178	+13.7%
Operating profit ratio	5.4%	6.2%		
Ordinary profit	1,459	1,565	+106	+7.3%
Ordinary profit ratio	6.0%	6.6%		
Net income	1,308	1,393	+85	+6.5%
Net income ratio	5.4%	5.9%		

FY2024 2Q Net Sales

Net sales: 23,749 million JPY Y/Y: -399 million JPY (-1.7%)

Net sales fell off in Japan due to inventory adjustments and production cutbacks by domestic manufacturers due to a warm winter and the end to the post-pandemic surge in demand, although stagnant sales of products sold in Europe and the U.S. are on a recovery trend. There was also a decrease in sales due to withdrawal from unprofitable businesses.



Japan 16,285 million JPY

Y/Y -1,043 million JPY (-6.0%)

Asia 4,054 million JPY

Y/Y +471 million JPY (+13.1%)

Europe & the U.S. 3,409 million JPY

Y/Y +173 million JPY (+5.3%)

FY2024 2Q Quarterly Sales Trends

Net sales in 2Q lagged behind our forecast due to inventory adjustments in Japan, mainly affecting the apparel and product businesses, as well as the end of the post-pandemic surge, although sales in Europe and the U.S. were on a gradual recovery trajectory.

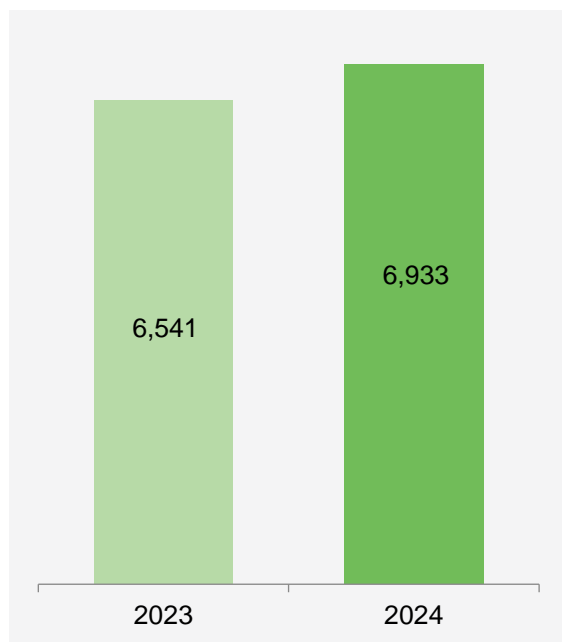


FY2024 2Q Gross Profit

Gross profit: 6,933 million JPY Y/Y: +392 million JPY (+6.0%)

Increased due to improved gross profit ratio.

Since Morito Japan's split 2 years ago, awareness of profit margins has continued to increase among corporate managers and sales personnel of each company.

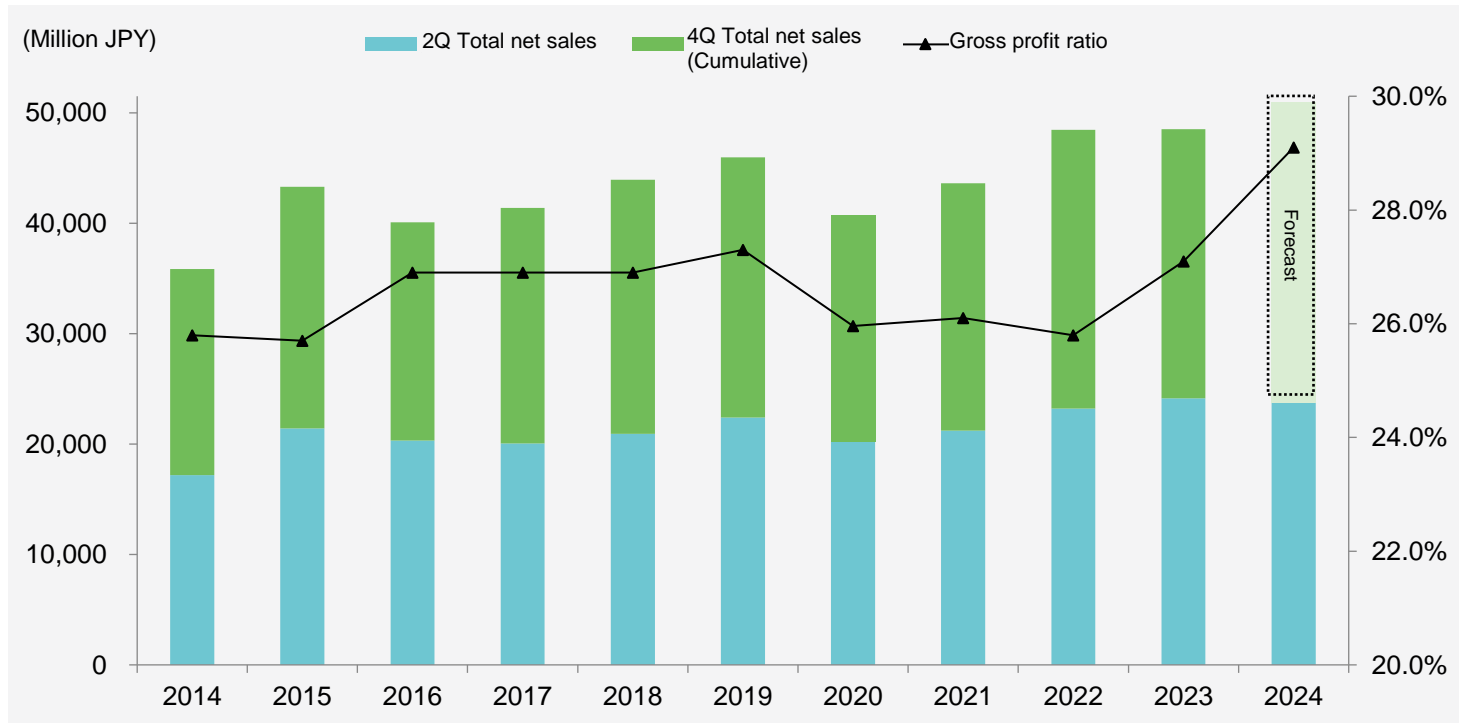


(Million JPY)

	FY2023	FY2024	Increase/ Decrease	Y/Y
Net sales	24,148	23,749	-399	-1.7%
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FY2024 2Q Trends in Net Sales & Gross Profit Ratio

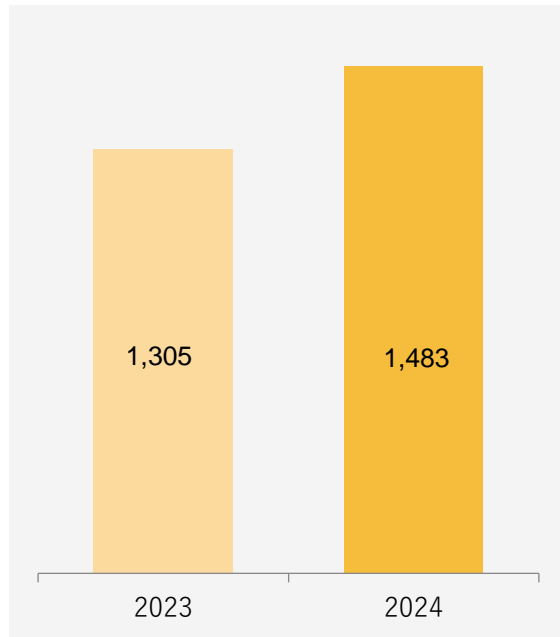
The gross profit ratio improved due to rising awareness of profit margins, which resulted in the streamlining of unprofitable businesses, changes in sales terms and conditions, and sales commensurate with high-value-added products, etc.



FY2024 2Q Operating Profit

Operating profit: 1,483 million JPY Y/Y: +178 million JPN (+13.7%)

Increased due to higher gross profit. Cost increased due to personnel, travel, and other expenses.



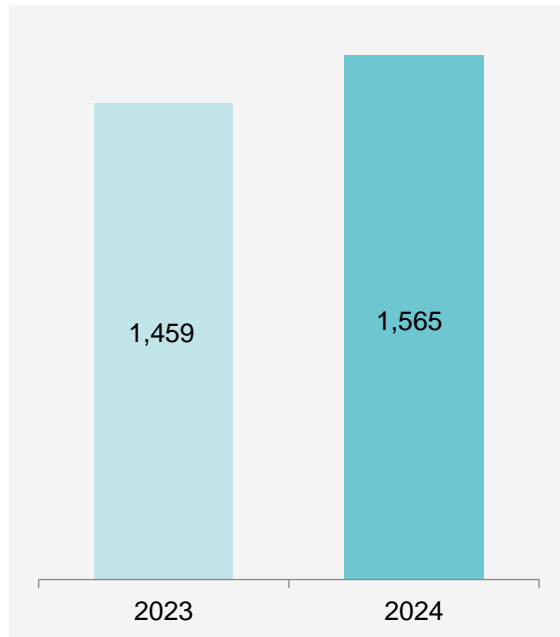
(Million JPY)

	FY2023	FY2024	Increase/ Decrease	Y/Y
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FY2024 2Q Ordinary Profit

Ordinary profit: 1,565 million JPY Y/Y: +106 million JPY (+7.3%)

Increased due to higher operating profit.



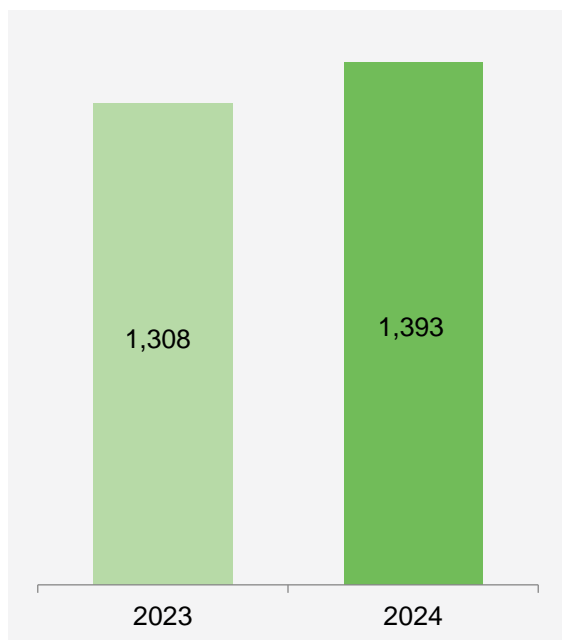
(Million JPY)

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Net income	1,308	1,393	+85	+6.5%
Net income ratio	5.4%	5.9%		

FY2024 2Q Net Income

Net income: 1,393 million JPY Y/Y: +85 million JPY (+6.5%)

Increased due to an increase in extraordinary income, including gains on sales of investment securities.



(Million JPY)

	FY2023	FY2024	Increase/ Decrease	Y/Y
Net sales	24,148	23,749	-399	-1.7%
Gross profit	6,541	6,933	+392	+6.0%
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FY2024 2Q Consolidated Balance Sheet

CCC improved. Although we moved ahead with the sale of cross-shareholdings, their market value increased due to rising stock prices.

			(Million JPY)		
	2023 4Q	2024 2Q		2023 4Q	2024 2Q
Assets			Liabilities		
Current assets	31,149	31,082 (-67)	Current liabilities	8,589	7,756 (-833)
Fixed assets	20,280	20,749 (+469)	Fixed liabilities	4,382	4,450 (+68)
Total assets	51,429	51,832 (+403)	Total liabilities	12,972	12,206 (-766)
			Net assets		
			Shareholders' equity	32,673	33,137 (+463)
			Accumulated other comprehensive income	5,760	6,488 (+728)
			Share acquisition rights	23	0 (-23)
			Total net assets	38,457	39,626 (+1,169)
			Total liabilities and net assets	51,429	51,832 (+403)
			Equity ratio	2024.2Q 76.4% (2023.4Q 74.7%)	

FY2024 2Q Consolidated Cash Flow Statement

Increased awareness of inventory and CCC contributed. Cash flows from operating activities improved significantly.

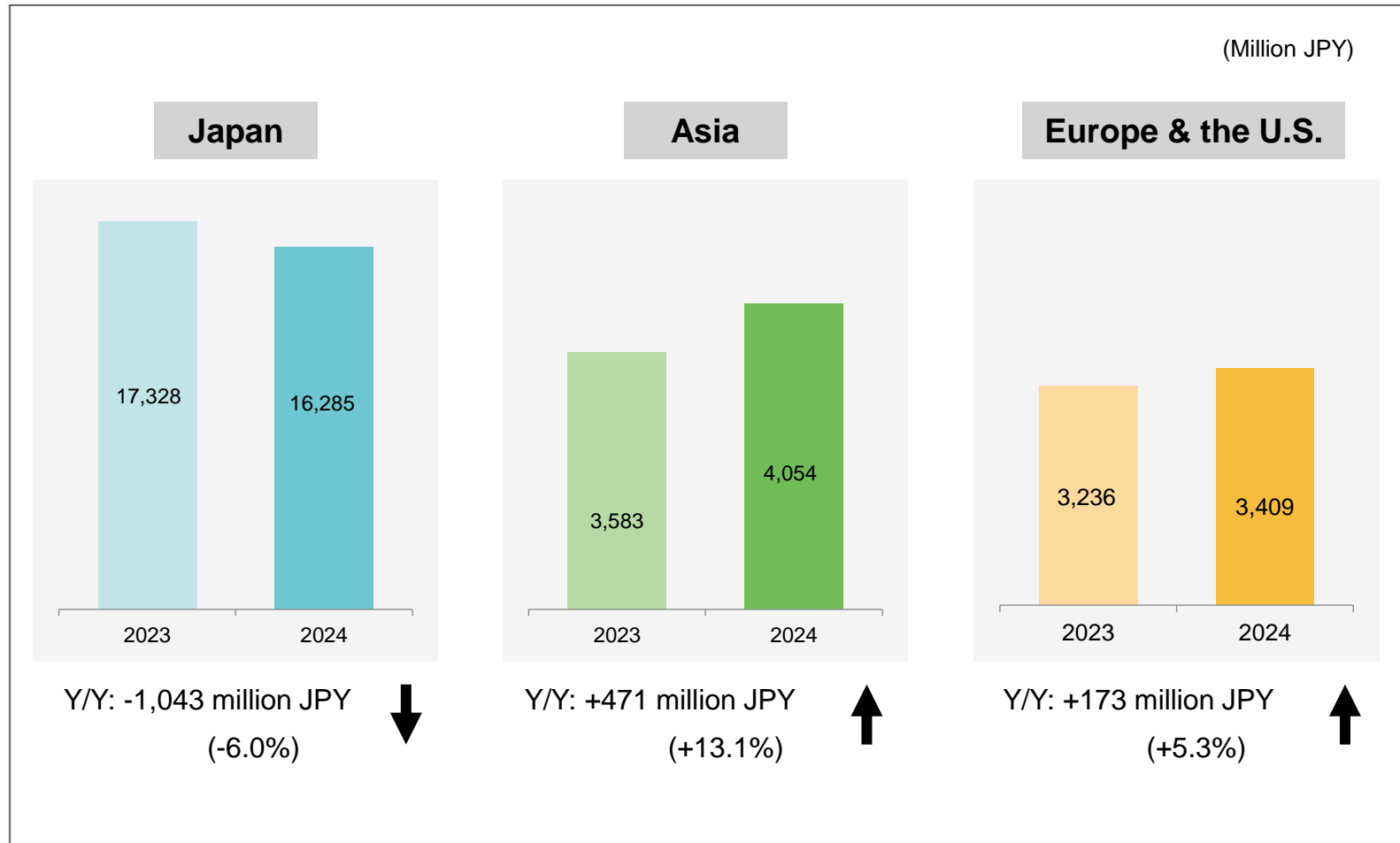
(Million JPY)

	2023 2Q	2024 2Q
Cash and cash equivalents at beginning of period	10,396	13,009
Cash flows from operating activities	1,160	2,301
Cash flows from investing activities	112	429
Cash flows from financing activities	(709)	(1,219)
Effect of exchange rate change on cash and cash equivalents	(199)	51
Net increase (decrease) in cash and cash equivalents	363	1,562
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	-
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	-
Cash and cash equivalents at end of period	10,759	14,572

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FY2024.11 2Q Business Overview

FY2024 2Q Net Sales by Region

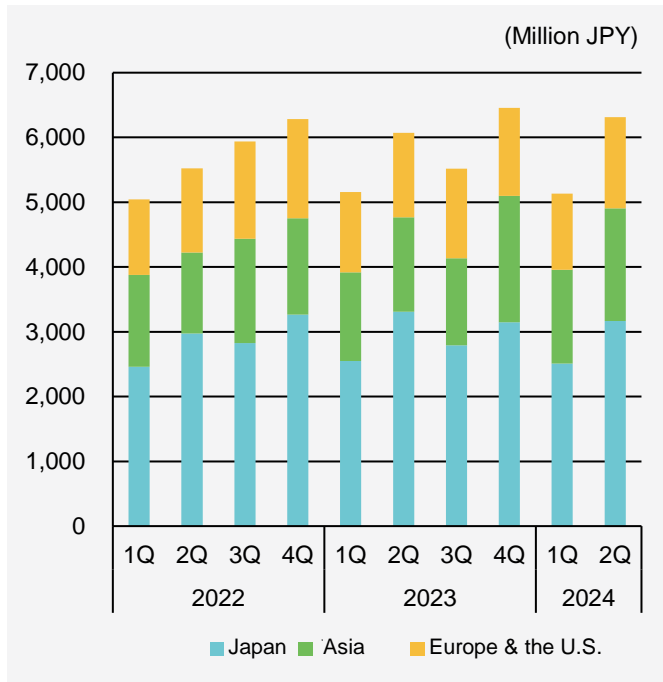


FY2024 2Q Net Sales for Apparel Business

Net sales: 11,446 million JPY Y/Y: +215 million JPY (+1.9%)

Inventory adjustments of products sold in Europe and the U.S. were coming to an end. In Asia, adoption of locally produced and procured products increased.

In Japan, sales stalled due to inventory adjustments and production cutbacks by manufacturers, but new orders are expected in the second half of the year.



Japan

- Increase in accessories for medical wear and bags sold in Europe and the U.S.
- Increase in accessories for high-end outdoor brands
- Decrease in accessories for workwear and casual wear

Asia

- Decrease in accessories for workwear in China and Hong Kong
- Increase in accessories for casual wear in China and Hong Kong
- Increase in accessories for athletic shoes and workwear-related products in Vietnam

Europe & the U.S.

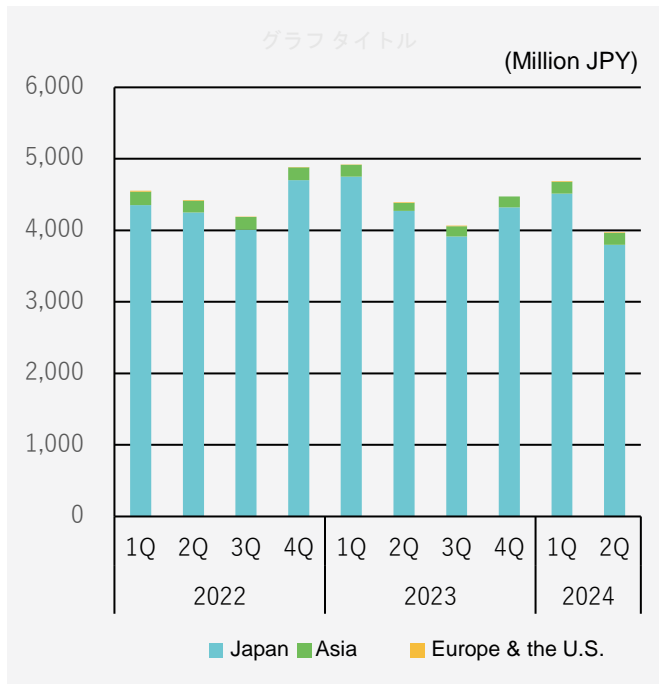
- Decrease in accessories for casual wear sold in the U.S.
- Increase in accessories for medical wear

FY2024 2Q Net Sales for Product Business

Net sales: 8,664 million JPY Y/Y: -649 million JPY (-7.0%)

Kitchen appliance-related services remained strong. Demand for active sports-related products that rose during the COVID-19 pandemic subsided.

A surge in demand is expected during the next Olympics. Significant progress was made in streamlining unprofitable businesses, particularly Morito Japan.



Japan

- Increase in products for one-coin shops and stationery products
- Increase in kitchen appliance rental, sales, and cleaning business
- Decrease in construction safety products and medical device-related products
- Decrease in snowboarding-related products

Asia

- On a par with last year

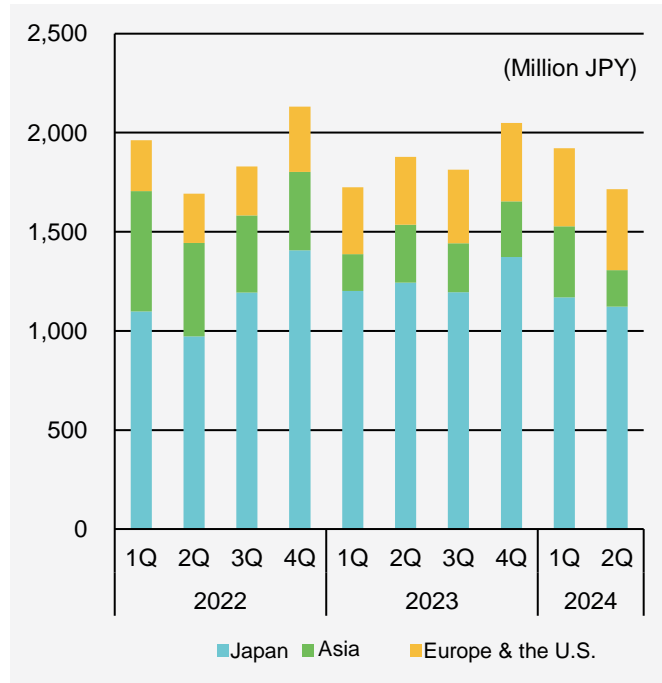
FY2024 2Q Net Sales for Transportation Business

Net sales: 3,638 million JPY Y/Y: +34 million JPY (+1.0%)

Although domestic production was idled in 1Q mainly due to the stoppage of factory operations by JAMA-affiliated automakers, the pace of production is expected to pick up to make up for the loss.

The impact of the certification test fraud by some automakers is expected to be minor.

Sales in China increased due to the end of the zero-COVID policy. However, we plan to continue withdrawing from unprofitable businesses.



Japan

- Decrease in automotive interior components for Japanese automotive manufacturers

Asia

- Increase in automotive interior components for Japanese automotive manufacturers in China

Europe & the U.S.

- Increase in automotive interior components for Japanese automotive manufacturers

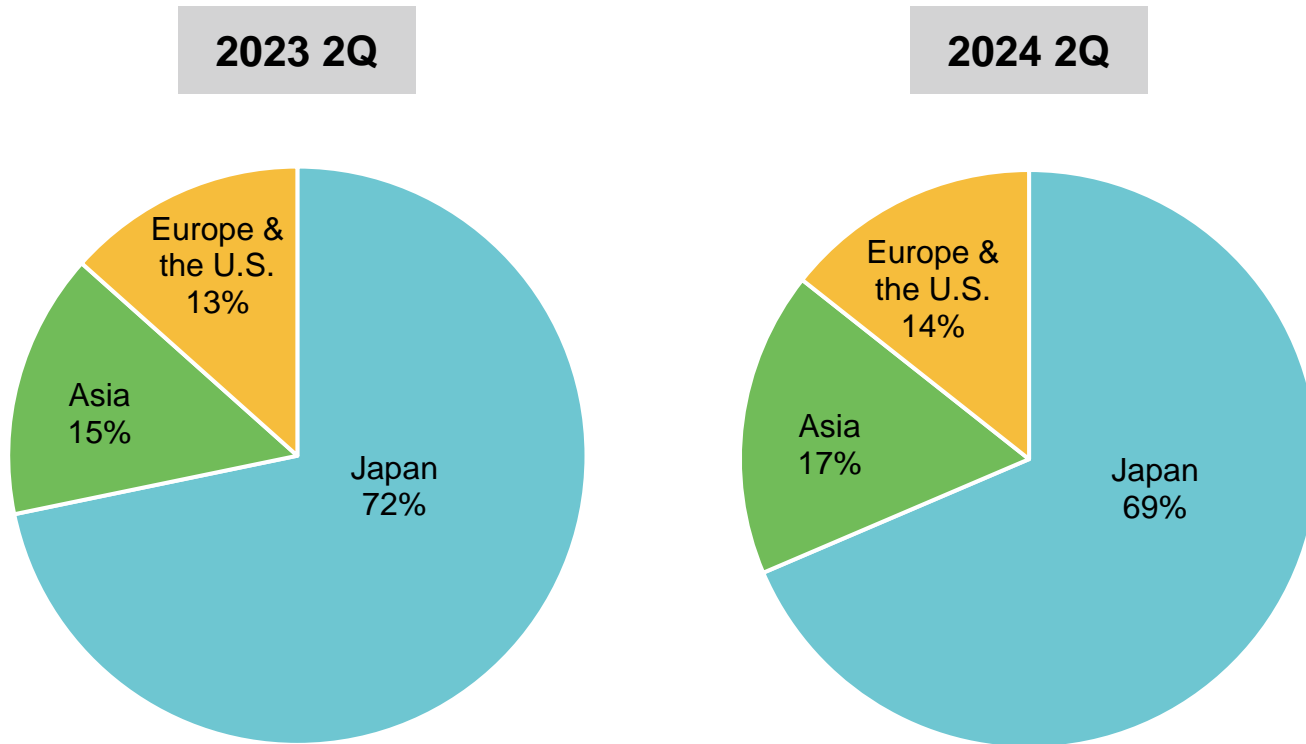
FY2024 2Q Net Sales by Region (Quarterly)

(Million JPY)

FY2024						
	1Q	2Q	First-half total	Composition	Increase/Decrease	Y/Y
Japan	8,195	8,090	16,285	68.6%	-1,043	-6.0%
Asia	1,969	2,085	4,054	17.1%	+471	+13.1%
Europe & the U.S.	1,579	1,830	3,409	14.3%	+173	+5.3%
Total	11,744	12,005	23,749	100.0%	-399	-1.7%

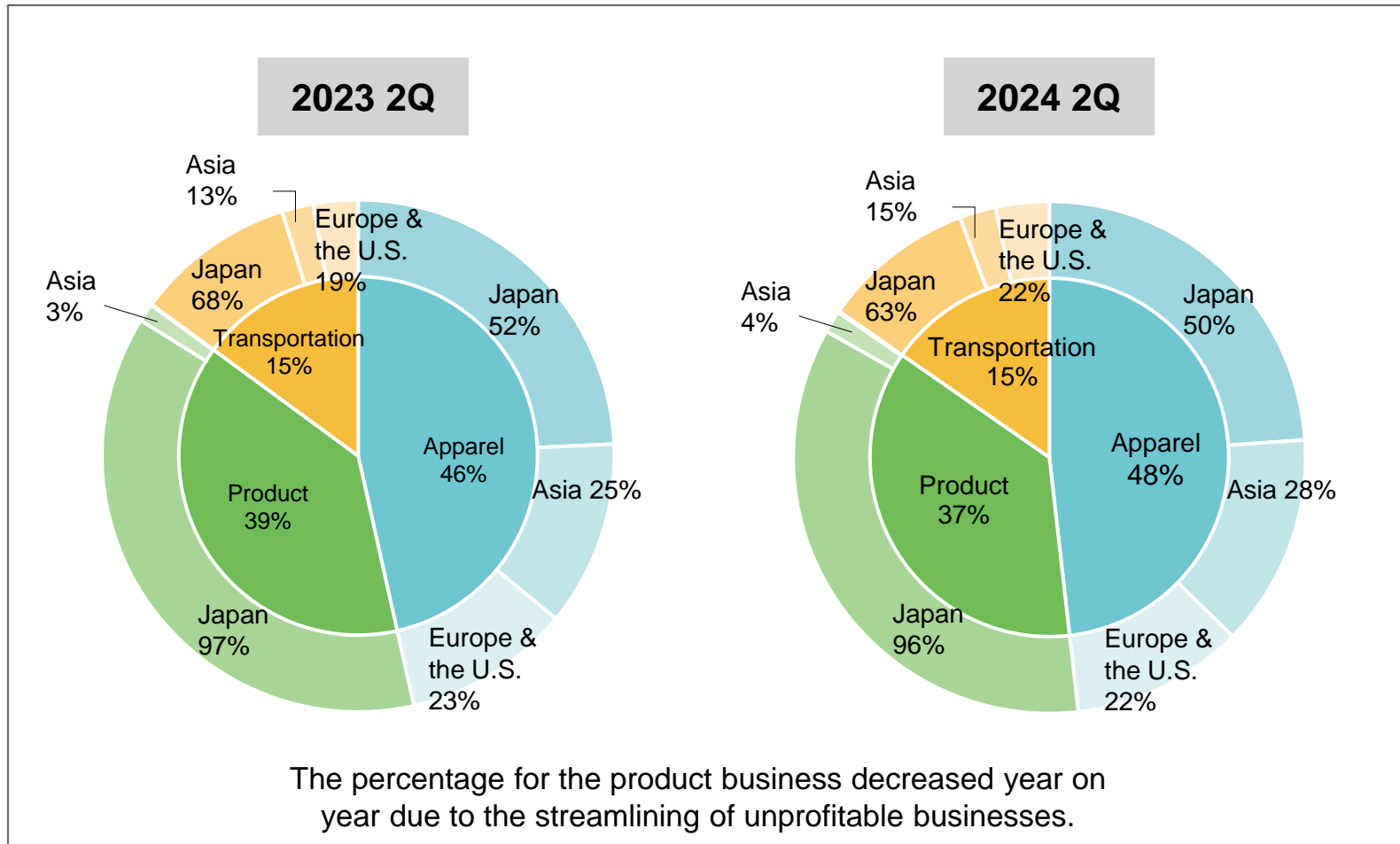
FY2023									
	1Q	2Q	First-half total	3Q	4Q	Full year	Composition	Increase/Decrease	Y/Y
Japan	8,502	8,826	17,328	7,901	8,841	34,070	70.2%	+554	+1.7%
Asia	1,719	1,864	3,583	1,739	2,383	7,705	15.9%	-635	-7.6%
Europe & the U.S.	1,582	1,654	3,236	1,763	1,754	6,753	13.9%	+132	+2.0%
Total	11,804	12,344	24,148	11,403	12,978	48,529	100.0%	+51	+0.1%

FY2024 2Q Sales Composition by Region



The percentage for Asia increased year on year due to the end of China's zero-COVID policy and expansion of local procurement.

FY2024 2Q Sales Composition by Region & Business



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FY2024 Full-Year Forecast

FY2024 2Q Forecast & Progress

No changes have been made to the FY2024 forecast. Sales were slightly behind the forecast due to stagnant domestic consumption, especially in the apparel and product businesses, and production stoppages by automakers. Profit margins increased more than projected.

	FY2024 2Q	FY2024 Full-Year Forecast	Progress
Net sales	23,794	51,000	46.7%
Operating profit	1,483	2,600	57.0%
Operating profit ratio	6.2%	5.1%	
Ordinary profit	1,565	2,800	55.9%
Ordinary profit ratio	6.6%	5.5%	
Net income	1,393	2,300	60.6%
Net income ratio	5.9%	4.5%	

FY2024 Outlook for the Second Half

Although there are uncertain factors such as temperature fluctuations, we will make efforts to acquire new customers.

We already received some orders for the second half of the year.

Apparel Business	Japan	Sales to new customers are expected mainly for environmentally friendly products. The impact of inventory adjustments and manufacturers' production cuts is expected to continue somewhat. Sales of products for some brands will remain upbeat.
	Asia	Sales of products for Europe and the U.S. will recover from the impact of inventory adjustments. Efforts to promote local production for local consumption for products to be sold in the Japanese market are expected to continue.
	Europe & the U.S.	Sales will recover from the impact of inventory adjustments. Acquisition of new customers is also expected in Mexico.
Product Business	Japan	Sales of products for one-coin shops will remain strong. The kitchen appliance-related services business is also expected to remain robust. Sales of active sports-related products will be slow due to the weak yen and inventory adjustments, but special demand related to the Olympics is expected. We will withdraw from unprofitable businesses and improve profitability mainly in the ODM and OEM businesses.
Transportation Business	Japan	Automakers that stopped production in 1Q are expected to increase the pace of production to make up for the loss by the end of FY2024. The impact of the certification test fraud by some automakers is expected to be minor. There will be no new model launches, etc. for the rest of FY2024.
	Asia	We will continue to withdraw from unprofitable businesses in China.
	Europe & the U.S.	Sales are expected to increase due to the launch of mass-produced parts for new car models in North America. We will start withdrawing from some unprofitable businesses in Europe.

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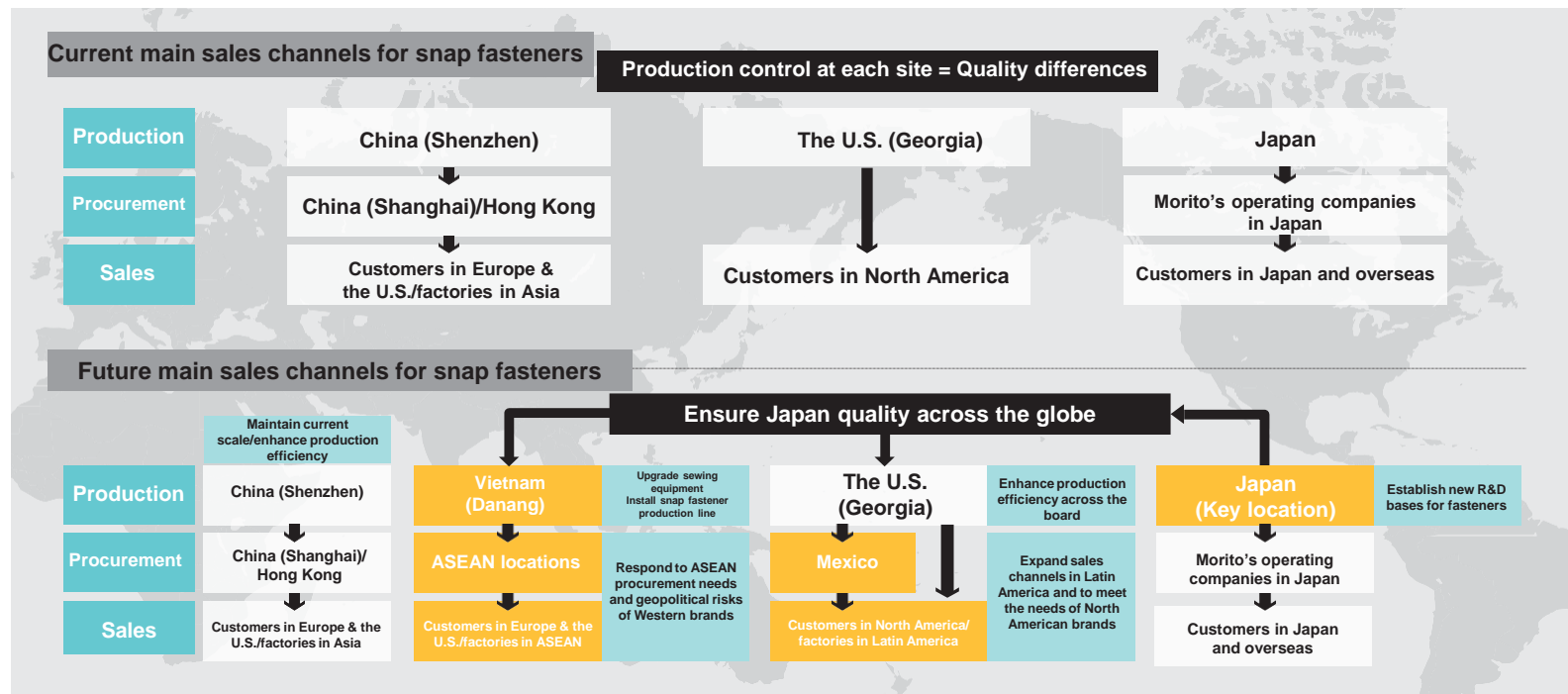
Business Topics

8th Mid-term Management Plan

Progress in Local Production for Local Consumption Initiative

The initiative set forth as a growth strategy in the 8th Mid-Term Management Plan is underway, targeting global brands in Japan. Local procurement for local sales have increased around the world.

We aim to establish a system for total local production, procurement, logistics, and sales in selected production sites by FY2026, and increase sales volumes by improving customer service and quality and strengthening relationships.



Environmental Initiatives Rideeco® FY2024 Products

We made progress in the initiative, including the development of a new product, MURON. Our products have been attracting a lot of attention from various industries, and the number of adoptions is growing. The scale of business is expanding, with some customers having placed repeat orders.



*The images are for illustrative purposes only.

We developed MURON, a recycled fiber made entirely from discarded fishing nets collected in Japan.



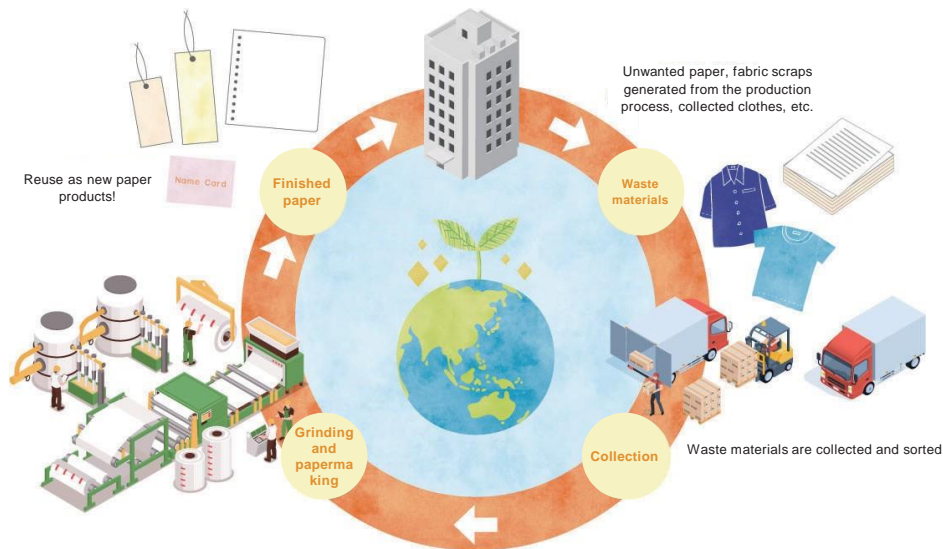
Bags and jackets using fabrics made from discarded fishing nets have been sold via Tsuhan Seikatsu since last year.



POLeR® keychains, promo items for Subaru, use fabric made from discarded fishing nets.

Environmental Initiatives Rideeco® ASUKAMI®

ASUKAMI®, a mixed paper made from sewing factory scraps, was used in the press kit for TAAKK, a fashion brand by Takuya Morikawa. The press kit was distributed at Paris Fashion Week held in June 2024. Tags made with ASUKAMI® will also be used for all TAAKK products in the future.



Scrap materials are pulverized and then incorporated into the papermaking process at a paper company to produce original recycled paper.

ASUKAMI®



TAAKK's press kit made from ASUKAMI®

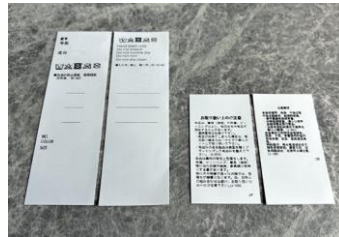
Group Company Matex Inc. (Apparel Business)

Matex's main business is printing. In addition to providing general commercial printing services, the company delivers packaged apparel materials, including labels and tags to be attached to finished products, worldwide. It will sell RFID tags to a major women's clothing brand in the second half of FY2024 and aims to market them to other vendors as well. Currently, Matex is also working on industry-academia collaboration projects using ASUKAMI®.



RFID tags and laundry labels

*RFID: A contact-free system that uses radio waves to read data on tags.
Multiple tags can be read at once.



Industry-academia collaboration projects



Web production



Hotel amenities

Skateboard and Surfboard Brands Handled

We import and sell items related to skateboarding and surfing, which are official Olympic events.

We bring brands from the U.S., Australia, and other countries to Japan and carry many items used by world-class athletes.

<Examples of skateboard brands handled>



<Examples of surf brands handled>



(FYI) Media Coverage

- Rideeco® efforts were featured in the Kansai Bureau of Economy, Trade and Industry's "Rethink Design Report 2024" as a leading example.

<https://www.kansai.meti.go.jp/3-6kankyo/RethinkDesign/RethinkDesign.html>

- Agreement between Choshi Electric Railway and Hisatsu Orange Railway, in which Morito Apparel participated, to address regional issues and the SDGs was published in the Nihon Keizai Shimbun and other media.

<https://www.nikkei.com/article/DGXZQOCC138NT0T10C24A3000000/>

- Morito Japan has signed a naming rights agreement for Hanshin Koshien Stadium's special limited seats for the 2024 season.

https://hanshintigers.jp/news/topics/info_9122.html

- Morito was featured in Yahoo! News, etc. among companies riding the Paris Olympics' wave.

<https://gendai.media/articles/-/129912>

7

Shareholder Returns

Basic Dividend Policy

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

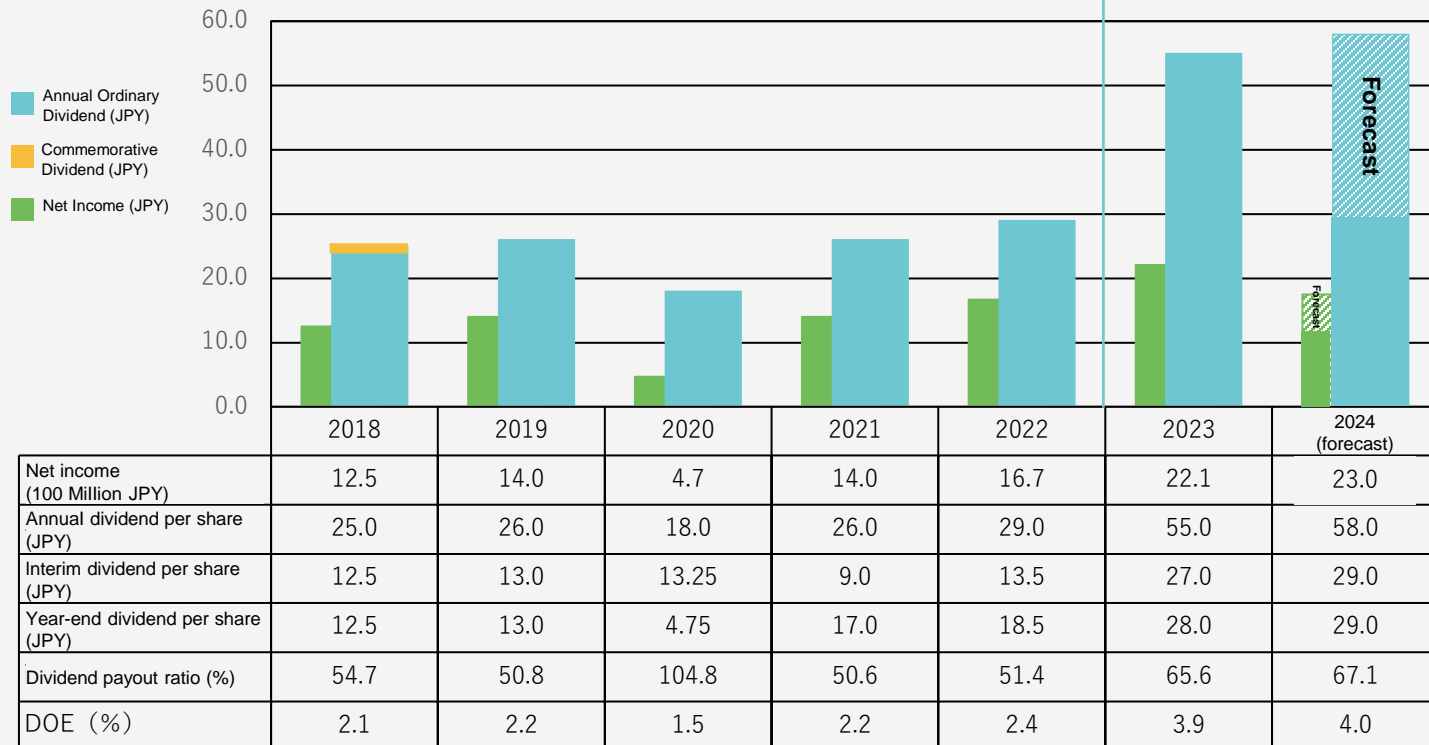
Standard for dividend on equity (DOE) ratio of 4.0% (on a consolidated basis)

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.

Trends of Dividend, Dividend Payout Ratio & DOE

We adopted a revised basic dividend policy in FY2023



Disclaimer

This handout has been prepared only for information purposes and is not intended to solicit investment.

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.

The financial results forecasts and forward-looking statements in this presentation are made with information known as of the day of presentation and contain some potential risks and uncertainties.

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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