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MORITO



Consolidated Financial Results for the Three Months of the Fiscal Year Ending November 30, 2024 [Japanese GAAP]

April 12, 2024

Company name: MORITO CO., LTD. Stock exchange listing: Tokyo Stock Exchange
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Scheduled date of filing quarterly securities report: April 15, 2024 Scheduled date of commencing dividend payments: -
Availability of supplementary briefing material on quarterly financial results: Available
Schedule of quarterly financial results briefing session: None scheduled

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

1. Consolidated Financial Results for the Three Months of the Fiscal Year Ending November 30, 2024 (December 1, 2023 to February 29, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended February 29, 2024	11,744	(0.5)	662	7.0	669	1.2	564	9.4
Three months ended February 28, 2023	11,804	2.1	619	1.5	661	0.9	516	14.9

(Note) Comprehensive income: Three months ended February 29, 2024 140 million yen [-%] Three months ended February 28, 2023 (150) million yen [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended February 29, 2024	21.24	21.19
Three months ended February 28, 2023	19.31	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Three months ended February 29, 2024	49,800	37,805	75.9
FY2023	51,429	38,457	74.7

(Reference) Equity: Three months ended February 29, 2024 37,793 million yen FY2023 38,433 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2023	-	27.00	-	28.00	55.00
FY2024	-				
FY2024(Forecast)		29.00		29.00	58.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending November 30, 2024 (December 1, 2023 to November 30, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	51,000	5.1	2,600	5.5	2,800	1.0	2,300	3.7	86.48

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

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 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) Total number of issued shares at the end of the period (including treasury shares):	February 29, 2024:	30,000,000	November 30, 2023:	30,000,000
2) Total number of treasury shares at the end of the period:	February 29, 2024:	3,389,514	November 30, 2023:	3,404,514
3) Average number of shares during the period:	For the three months of the fiscal year ending November 30, 2024:	26,584,286	For the three months of the fiscal year ended November 30, 2023:	26,731,150

* These quarterly 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 "(2) Forecast of Consolidated Business Results and other Forward-looking Information" in "1. Qualitative Information for the Period under Review" on page 5.

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. Qualitative Information for the Period under Review

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

For the three months of the fiscal year ending November 30, 2024 (December 1, 2023 to February 29, 2024) saw economic activity steadily return to normal as various restrictions due to the COVID-19 pandemic were lifted. However, economic growth remained at a moderate pace as the post-pandemic surge in demand subsided. Furthermore, the outlook for the future remains uncertain due to geopolitical risks such as the prolonged situation in Ukraine, rising tensions in the Middle East, and deterioration in the Chinese real estate market, as well as soaring raw material and energy prices, global monetary tightening, and exchange rate fluctuations. Working against this backdrop, the Morito Group (the "Group"), which is mainly engaged in the apparel, product, and transportation businesses, faced an uphill battle. This was due to stagnant demand caused by slowing consumption in Europe, the U.S., and Asia, as well as production cutbacks by apparel manufacturers due to a warm winter in Japan and the end of the post-pandemic surge in demand. Otherwise, the Group enjoyed favorable sales of locally produced and procured accessories in Asia while the performance of its kitchen appliance and related service business remained upbeat. Under its "Rideeco®" initiative aimed at realizing a sustainable society, the Group moved forward with the development and sales of environmentally friendly products, using discarded fishing nets and fabric scraps from garment factories, with a focus on winning new business contracts. In addition, continued efforts to streamline unprofitable businesses resulted in an improved gross profit ratio.

As a result, for the three months of the fiscal year under review, net sales decreased 0.5% year on year to 11,744 million yen. Operating profit was up 7.0% to 662 million yen, ordinary profit grew 1.2% to 669 million yen, and profit attributable to owners of the parent increased 9.4% to 564 million yen.

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 three months of the fiscal year under review are as follows.

	1Q	
USD	147.86	(141.39)
EUR	159.05	(144.26)
CNY	20.44	(19.85)
HKD	18.92	(18.07)
VND	0.0061	(0.0058)
THB	4.15	(3.89)
MXN	8.43	(7.19)

(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

The Apparel Division saw stronger sales of medical wear accessories for the European and U.S. markets as well as sales of accessories for bags, while sales of accessories for workwear and casual wear decreased.

The Product Division enjoyed higher sales of products for one-coin shops (like 100-yen stores) and stationery-related products as well as higher revenues for the kitchen appliance rental, sales, and cleaning business, while sales of construction safety products and snowboard- and surfboard-related products decreased.

In the Transportation Division, sales of automotive interior components to Japanese automotive manufacturers fell.

As a result, net sales decreased 3.6% year on year to total 8,195 million yen, and segment profit rose 5.1% year on year to reach 554 million yen.

Asia

The Apparel Division enjoyed growing sales of baby wear accessories and casual wear accessories in China and Hong Kong as well as athletic shoe accessories and workwear-related products in Vietnam although sales of workwear accessories declined in China and Hong Kong.

In the Transportation Division, sales of automotive interior components to Japanese automotive manufacturers increased in China.

As a result, net sales increased 14.6% year on year to total 1,969 million yen while segment profit dropped 5.8% year on year to total 207 million yen.

Europe and the U.S.

In the Apparel Division, sales of medical wear accessories increased in the U.S. while sales of workwear accessories decreased in Europe.

In the Transportation Division, sales of automotive interior components to Japanese automotive manufacturers increased.

As a result, net sales decreased 0.2% year on year to total 1,579 million yen while segment loss came to 27 million yen (segment loss for the same period in the previous fiscal year was 46 million yen).

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

The consolidated financial forecast for the fiscal year ending November 30, 2024, remains unchanged from what was announced on January 12, 2024.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of November 30, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	13,013,252	12,584,814
Notes and accounts receivable - trade	8,623,474	7,508,764
Electronically recorded monetary claims - operating	2,440,431	2,649,320
Inventories	6,358,412	6,447,826
Other	827,277	878,620
Allowance for doubtful accounts	(113,686)	(47,480)
Total current assets	31,149,163	30,021,865
Non-current assets		
Property, plant and equipment		
Land	4,660,948	4,656,680
Other, net	5,382,924	5,155,332
Total property, plant and equipment	10,043,872	9,812,013
Intangible assets		
Goodwill	2,495,204	2,311,238
Other	1,067,076	987,630
Total intangible assets	3,562,280	3,298,869
Investments and other assets		
Investment securities	5,422,020	5,501,237
Retirement benefit asset	314,646	315,743
Other	1,005,054	977,173
Allowance for doubtful accounts	(67,688)	(126,303)
Total investments and other assets	6,674,033	6,667,850
Total non-current assets	20,280,186	19,778,733
Total assets	51,429,350	49,800,599
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,658,697	3,666,476
Electronically recorded obligations - operating	1,082,704	1,060,362
Short-term borrowings	50,000	50,000
Current portion of long-term borrowings	256,674	280,008
Income taxes payable	611,892	309,364
Provision for bonuses	473,097	384,127
Provision for bonuses for directors (and other officers)	146,836	34,421
Other	2,309,311	1,958,819
Total current liabilities	8,589,213	7,743,579
Non-current liabilities		
Long-term borrowings	1,166,620	1,073,284
Provision for share awards	48,176	46,318
Provision for retirement benefits for directors (and other officers)	54,208	58,391
Provision for share awards for directors (and other officers)	100,494	103,500
Provision for environmental measures	26,823	25,432
Retirement benefit liability	864,593	870,665
Other	2,121,999	2,073,639
Total non-current liabilities	4,382,915	4,251,232
Total liabilities	12,972,128	11,994,811

(Thousands of yen)

	As of November 30, 2023	As of February 29, 2024
Net assets		
Shareholders' equity		
Share capital	3,532,492	3,532,492
Capital surplus	3,040,197	3,061,414
Retained earnings	28,538,155	28,343,433
Treasury shares	(2,437,142)	(2,479,102)
Total shareholders' equity	32,673,702	32,458,237
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,053,469	2,119,100
Deferred gains or losses on hedges	13,287	8,422
Revaluation reserve for land	419,773	419,773
Foreign currency translation adjustment	3,223,586	2,742,797
Remeasurements of defined benefit plans	49,934	45,327
Total accumulated other comprehensive income	5,760,051	5,335,422
Share acquisition rights	23,467	12,127
Non-controlling interests	-	-
Total net assets	38,457,221	37,805,787
Total liabilities and net assets	51,429,350	49,800,599

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

The three-month period

(Thousands of yen)

	For the three months ended February 28, 2023	For the three months ended February 29, 2024
Net sales	11,804,902	11,744,197
Cost of sales	8,572,048	8,365,773
Gross profit	3,232,853	3,378,423
Selling, general and administrative expenses	2,613,475	2,715,655
Operating profit	619,378	662,768
Non-operating income		
Interest income	3,257	5,489
Dividend income	9,524	10,613
Gain on redemption of investment securities	17,959	-
Rental income from real estate	18,890	9,364
Share of profit of entities accounted for using equity method	13,995	2,656
Other	20,451	4,873
Total non-operating income	84,077	32,996
Non-operating expenses		
Interest expenses	2,459	3,265
Loss on derivatives	18,950	6,804
Foreign exchange losses	-	2,645
Other	20,238	13,410
Total non-operating expenses	41,648	26,126
Ordinary profit	661,807	669,638
Extraordinary income		
Gain on sale of non-current assets	824	-
Gain on sale of investment securities	141,392	205,216
Gain on reversal of share acquisition rights	420	-
Total extraordinary income	142,637	205,216
Extraordinary losses		
Loss on sale of non-current assets	-	1,842
Loss on retirement of non-current assets	558	2,937
Total extraordinary losses	558	4,780
Profit before income taxes	803,887	870,074
Income taxes - current	261,914	298,045
Income taxes - deferred	25,672	7,312
Total income taxes	287,587	305,358
Profit	516,299	564,716
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	516,299	564,716

Quarterly Consolidated Statements of Comprehensive Income

The three-month period

(Thousands of yen)

	For the three months ended February 28, 2023	For the three months ended February 29, 2024
Profit	516,299	564,716
Other comprehensive income		
Valuation difference on available-for-sale securities	227,901	65,630
Deferred gains or losses on hedges	(6,119)	(4,867)
Foreign currency translation adjustment	(884,991)	(480,788)
Remeasurements of defined benefit plans, net of tax	(4,001)	(4,606)
Share of other comprehensive income of entities accounted for using equity method	5	2
Total other comprehensive income	(667,206)	(424,628)
Comprehensive income	(150,906)	140,087
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(150,906)	140,087
Comprehensive income attributable to non-controlling interests	-	-

(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.

(Segment Information, Etc.)

Segment information

I For the three months of the fiscal year ended November 30, 2023

Information on amounts of net sales and profit (loss) by reportable segment and disaggregated revenue

(Thousands of yen)

	Reportable Segment				Adjustment (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
	Japan	Asia	Europe & the U.S.	Total		
Net sales						
Apparel	2,548,835	1,367,384	1,242,761	5,158,981	-	5,158,981
Product	4,752,723	165,659	2,533	4,920,915	-	4,920,915
Transportation	1,201,413	186,146	337,444	1,725,004	-	1,725,004
Revenue from contracts with customers	8,502,971	1,719,191	1,582,739	11,804,902	-	11,804,902
Net sales to external customers	8,502,971	1,719,191	1,582,739	11,804,902	-	11,804,902
Intersegment sales or transfers	482,676	1,373,307	14,532	1,870,516	(1,870,516)	-
Total	8,985,648	3,092,498	1,597,271	13,675,418	(1,870,516)	11,804,902
Segment profit (loss)	527,680	219,863	(46,255)	701,289	(81,910)	619,378

(Note) 1 The adjustment of (81,910) thousand yen to segment profit (loss) includes corporate expenses of (52,808) thousand yen not allocated to the reportable segments, and other in the amount of (29,101) thousand yen.

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

II For the three months of the fiscal year ending November 30, 2024

Information on amounts of net sales and profit (loss) by reportable segment and disaggregated revenue

(Thousands of yen)

	Reportable Segment				Adjustment (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
	Japan	Asia	Europe & the U.S.	Total		
Net sales						
Apparel	2,512,332	1,444,090	1,174,782	5,131,205	-	5,131,205
Product	4,513,633	166,386	10,712	4,690,731	-	4,690,731
Transportation	1,169,168	359,169	393,922	1,922,259	-	1,922,259
Revenue from contracts with customers	8,195,134	1,969,646	1,579,416	11,744,197	-	11,744,197
Net sales to external customers	8,195,134	1,969,646	1,579,416	11,744,197	-	11,744,197
Intersegment sales or transfers	423,867	940,847	20,411	1,385,126	(1,385,126)	-
Total	8,619,001	2,910,494	1,599,827	13,129,323	(1,385,126)	11,744,197
Segment profit (loss)	554,730	207,132	(27,921)	733,940	(71,172)	662,768

(Note) 1 The adjustment of (71,172) thousand yen to segment profit (loss) includes corporate expenses of (60,780) thousand yen not allocated to the reportable segments, and other in the amount of (10,392) thousand yen.

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