

MORITO CO.,LTD

1st section of TSE : 9837

Presentation Materials

for the Second Quarter of Fiscal Year Ended
November 30, 2021 Financial Results

July 2021

MORITO

1. FY2021.11 2Q Financial Results
2. FY2021.11 2Q Business Overview
3. Business Topics
4. Shareholder Returns

FY2021 2Q Progress & Highlights

- Impacts of closures and adjusting inventories in department stores and mass retailers caused by COVID-19.
- Impact of soaring raw material price such as copper to manufacture our main products such as eyelets and press fasteners and reducing production by automakers due to semiconductor shortage.
- Sales of products related to activities that can be enjoyed outdoors and new lifestyle such as masks increased.
- Compared to 2020FY 2Q, operating income increased by 87%, and net income increased by 245%.

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FY2021 2Q Summary of Financial Results

(Million JPY)

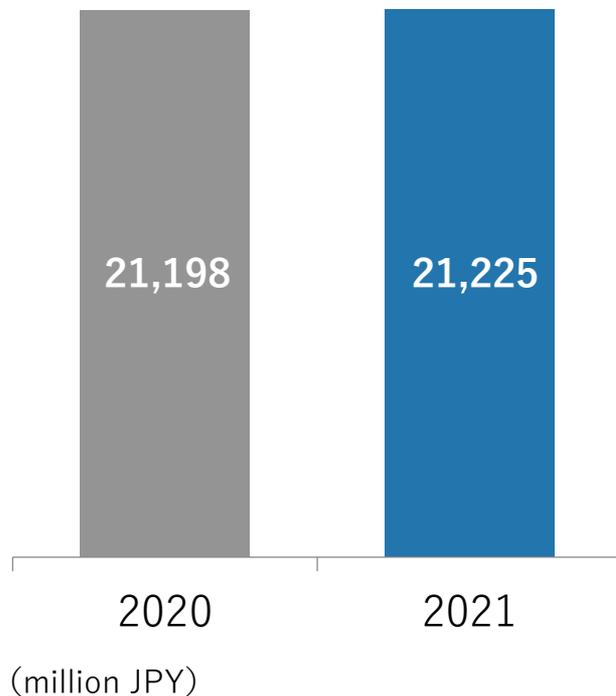
	2020 2Q	2021 2Q	Increase/ Decrease	Y/Y
Net sales	21,198	21,225	+27	+0.1%
Gross profit	5,497	5,491	-6	-0.1%
Gross profit ratio	25.9%	25.9%		
Cost	5,084	4,715	-369	-7.3%
Cost ratio	24.0%	22.2%		
Operating income	412	775	+363	+87.9%
Operating income ratio	1.9%	3.7%		
Ordinary income	401	885	+484	+120.4%
Ordinary income ratio	1.9%	4.2%		
Net income	154	533	+379	+245.6%
Net income ratio	0.7%	2.5%		

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2021FY 2Q Net Sales

Net sales : 21,225 million JPY Y/Y : +27 million JPY (+0.1%)

Sales were at the same level as 2020FY 2Q due to COVID-19 and semiconductor shortage.



Japan 14,638 million JPY

Y/Y - 326million yen (- 2.2%)

Asia 4,079 million JPY

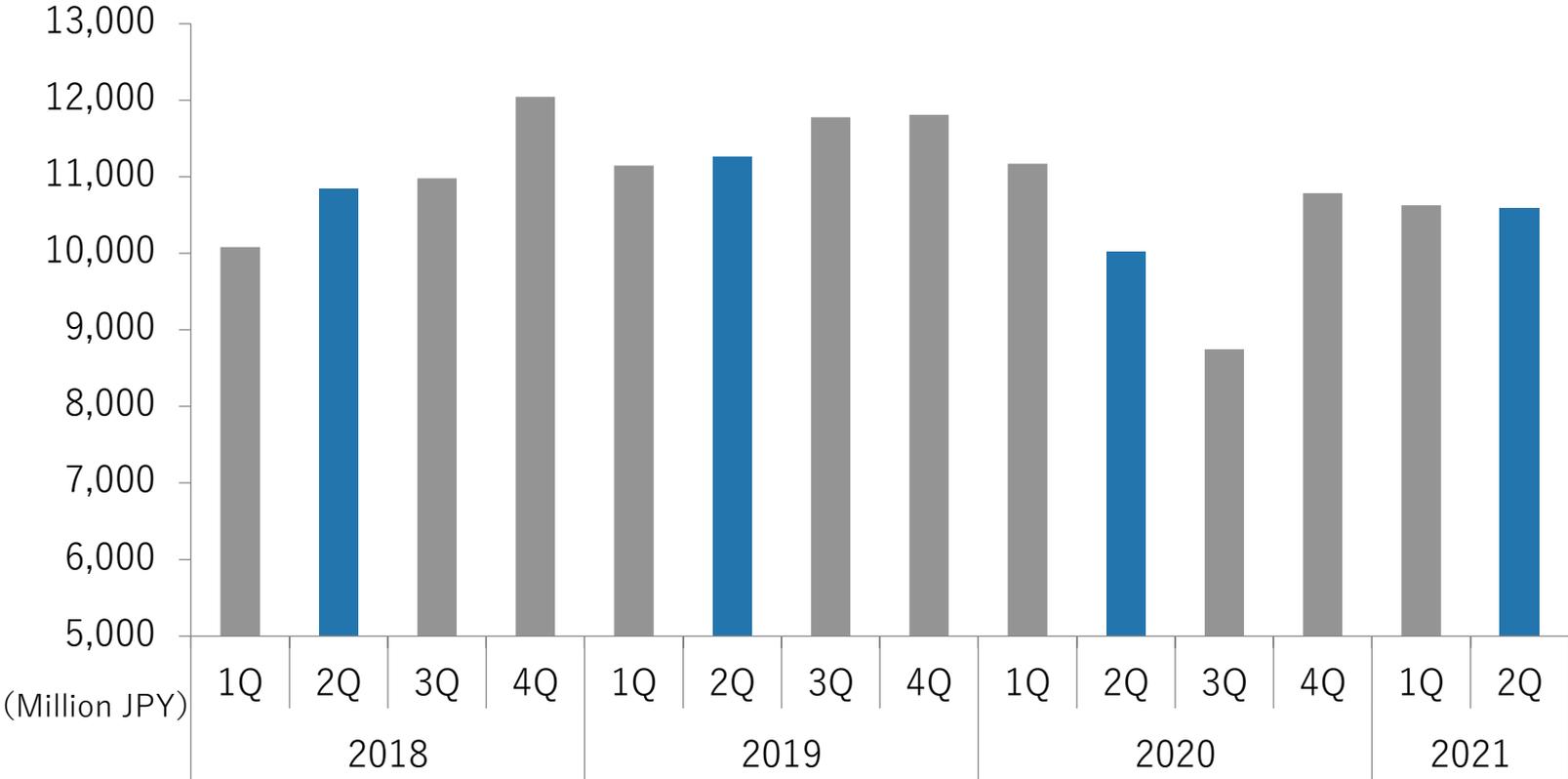
Y/Y +481 million yen (+ 13.4%)

Europe & the U.S. 2,507 million JPY

Y/Y - 128 million yen (- 4.9%)

2021FY 2Q Quarterly Financial Trends

Although the impact of COVID-19 is expected to continue, sales will be concentrated in the second half continuously.

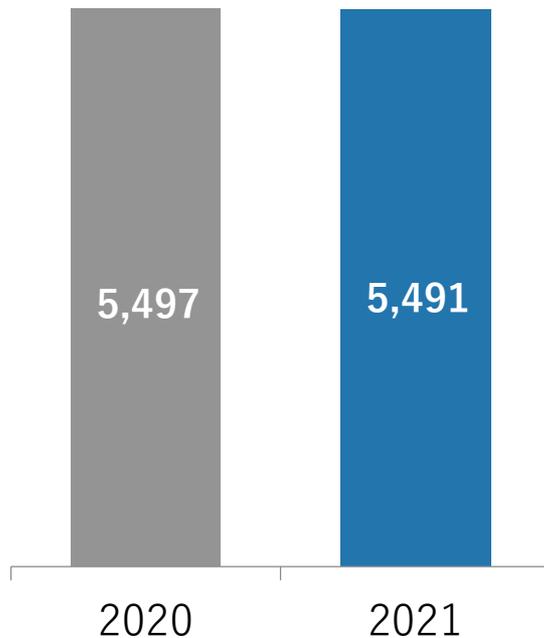


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2021FY 2Q Gross Profit

Gross profit : 5,491 million JPY Y/Y : -6 million JPY (-0.1%)

Impact of soaring raw material price



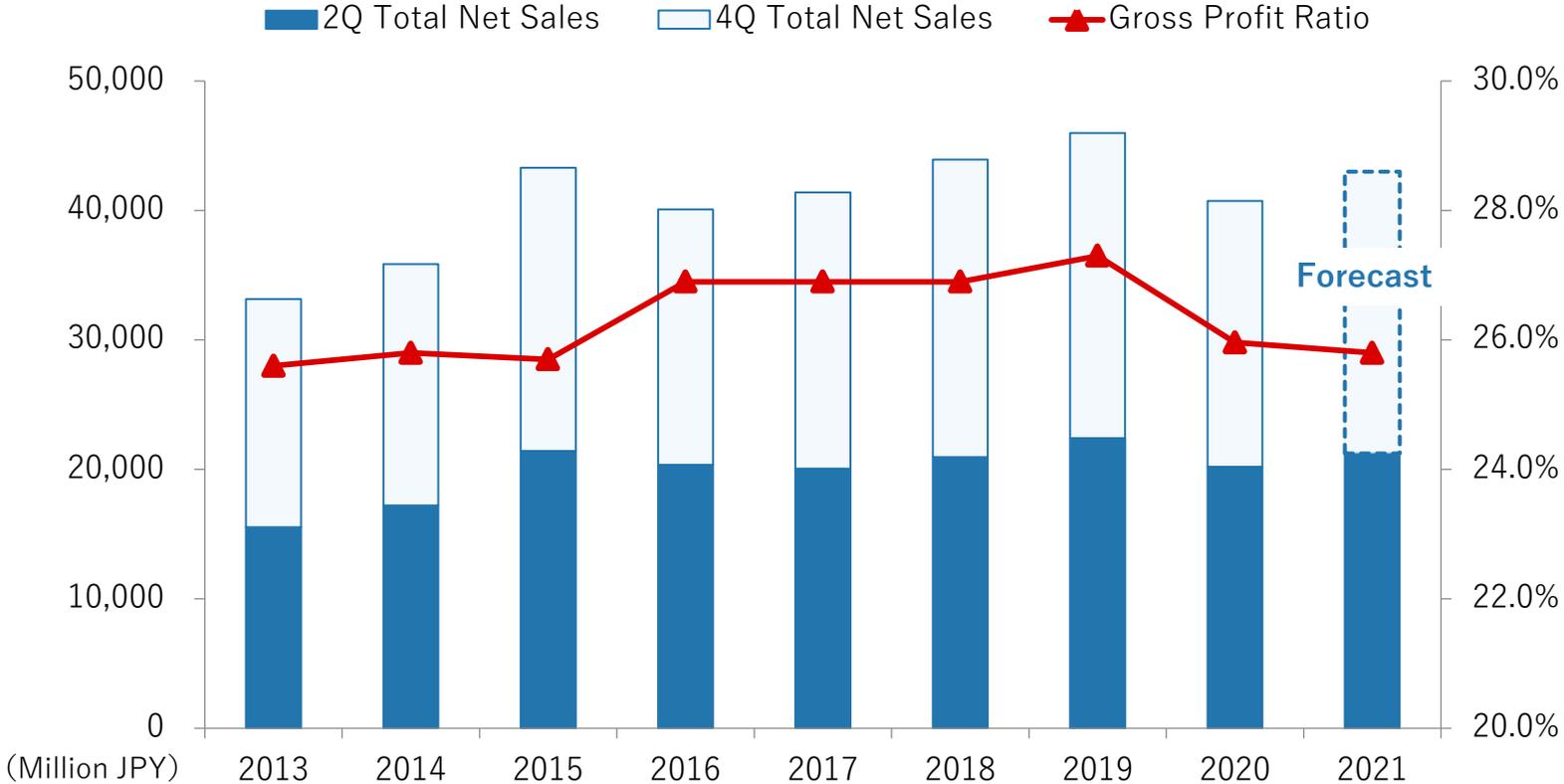
(Million JPY)

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2021FY 2Q Trends in Net Sales & Gross Profit Ratio

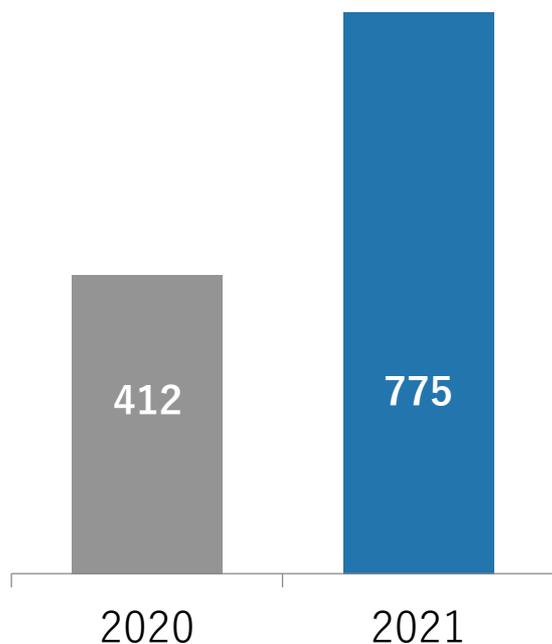
Orders are recovering, however, gross profit will be affected by soaring raw material prices, such as copper.



2021FY 2Q Operating Income

Operating income : 775 million JPY Y/Y : +363 million JPY(+87.9%)

Decrease of cost > Decrease of gross profit



(Million JPY)

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Gross profit	5,497	5,491	-6	-0.1%
Gross profit ratio	25.9%	25.9%		
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Cost ratio	24.0%	22.2%		
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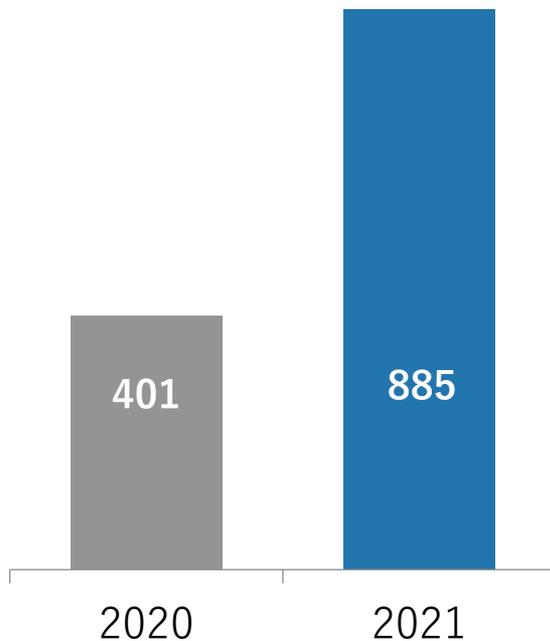
2021FY 2Q Ordinary Income

Ordinary Income : 885 million JPY Y/Y : +484 million JPY (+120.4%)

Increase in operating income & non-operating income

Decrease of non-operating expenses

(Million JPY)



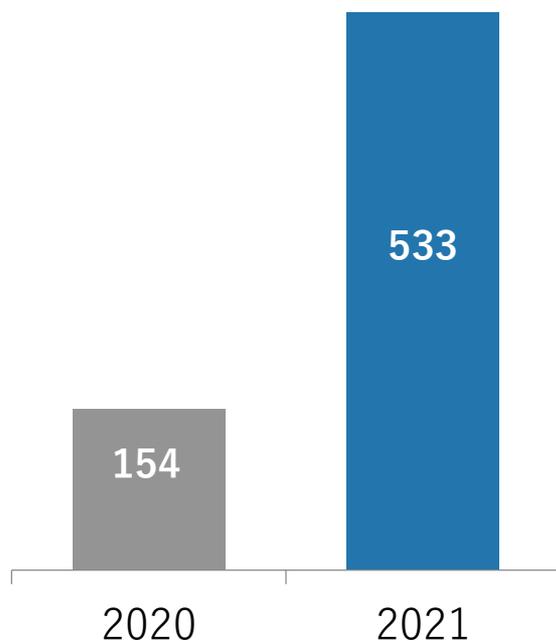
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Net income	154	533	+379	+245.6%
Net income ratio	0.7%	2.5%		

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2021FY 2Q Net Income

Net Income : 533 million JPY Y/Y : +379 million JPY (+245.6%)

Increase in ordinary income



(Million JPY)

	2020 2Q	2021 2Q	Increase/ Decrease	Y/Y
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Net income	154	533	+379	+245.6%
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2021FY Q2 Forecast & Progress

(Million JPY)

	2021FY 2Q	FY2021 Full-Year Forecast	Progress
Net sales	21,225	43,000	49.4%
Operating income	775	1,300	59.6%
Operating income ratio	3.7%	3.0%	
Ordinary income	885	1,300	68.1%
Ordinary income ratio	4.2%	3.0%	
Net income	533	700	76.1%
Net income ratio	2.5%	1.6%	

	2020FY 2Q	2020FY 4Q	Progress
Net sales	21,198	40,727	52.0%
Operating income	412	856	48.1%
Operating income ratio	1.9%	2.1%	
Ordinary income	401	928	43.2%
Ordinary income ratio	1.9%	2.3%	
Net income	154	470	32.8%
Net income ratio	0.7%	1.2%	

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2021FY 2Q Balance Sheet

(Million JPY)

	2020 4Q	2021 2Q		2020 4Q	2021 2Q
	Assets			Liabilities	
Current assets	25,496	25,320 (▲ 176)	Current liabilities	6,927	6,823 (▲ 104)
Fixed assets	18,201	19,391 (+1,190)	Fixed liabilities	4,756	4,606 (▲ 150)
Deferred assets	1	0 (▲ 1)	Total liabilities	11,684	11,429 (▲ 255)
Total assets	43,699	44,712 (+1,013)	Net assets		
			Shareholders' equity	30,516	30,918 (+402)
			Other comprehensive income	1,441	2,307 (+866)
			Total net assets	32,015	33,282 (+1,267)
			Liabilities and net assets	43,699	44,712 (+1,013)

MORITO Equity ratio 74.3% (2020FY 4Q 73.1%)

2021FY 2Q Quarterly Consolidated Statements of Cash Flows

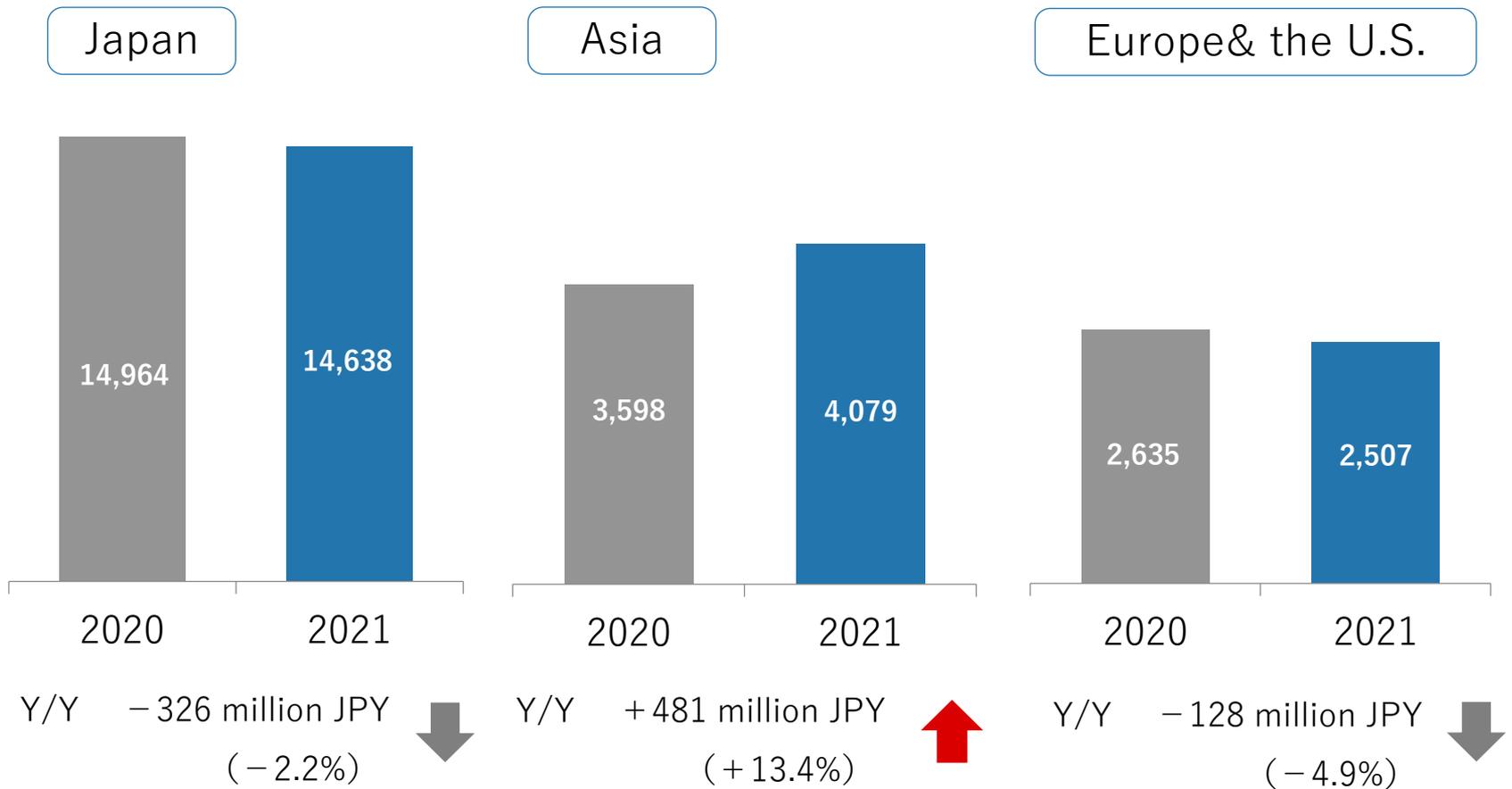
(Million JPY)

	2020FY 2Q	2021FY 2Q
Cash and cash equivalents at beginning of period	9,442	10,052
Cash flows from operating activities	584	1,489
Cash flows from investing activities	41	▲ 738
Cash flows from financing activities	▲ 927	▲ 696
Effect of exchange rate change on cash and cash equivalents	28	108
Net increase (decrease) in cash and cash equivalents	▲ 273	162
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	32	-
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	-
Cash and cash equivalents at end of period	9,201	10,214

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2021FY 2Q Net Sales by Regions

(Million JPY)

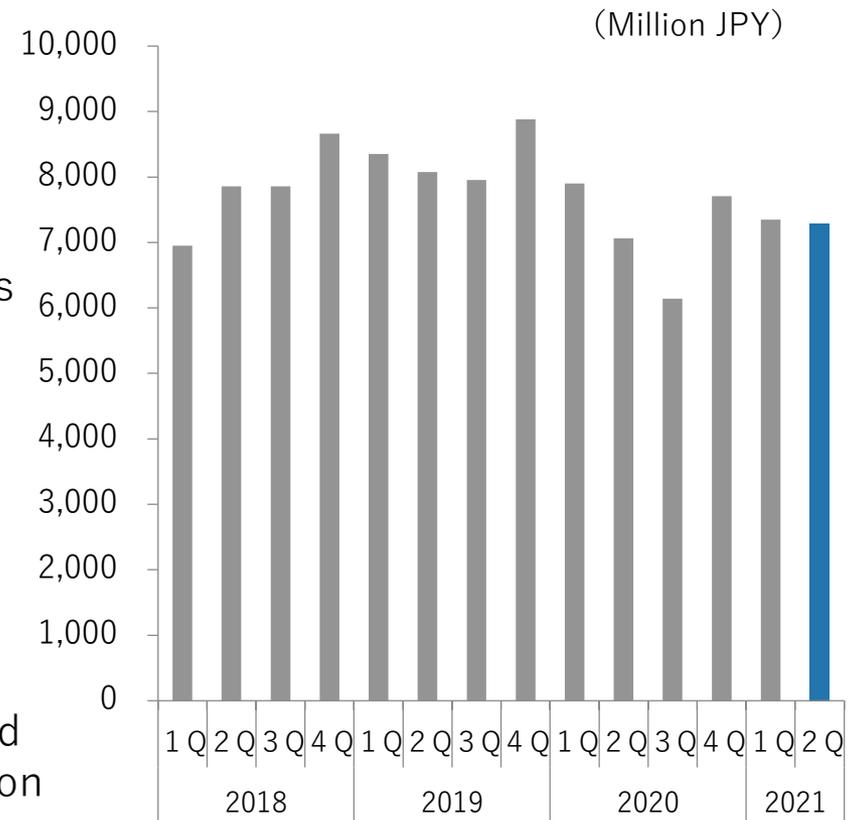


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2021FY 2Q Net Sales by Regions (Japan)

Impacts of COVID-19 have continued, especially in the apparel business, but sales of products related to staying home and outdoor sports.

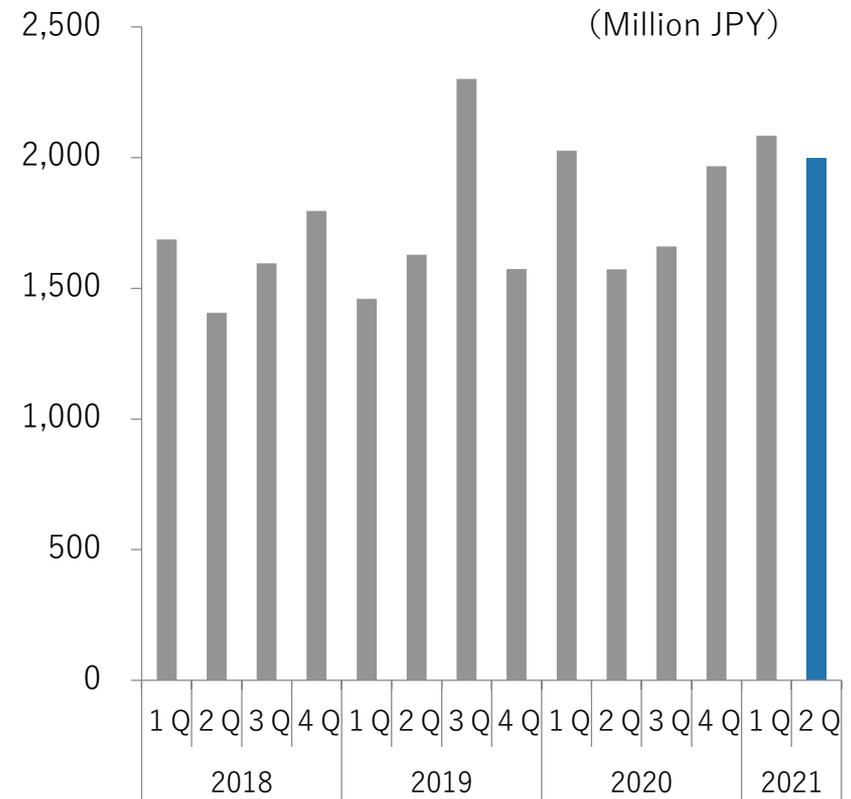
- Increase of clothes related to sports and outdoor activities
- Decrease of accessories for thick-fabric wear, bag, and shoes
- Increase of automobile interior components
- Increase of products to dollar stores
- Increase of products related to PC such as tablet cases and mouse pads
- Increase of products related to surfing and skateboard
- Decrease of products related to snowboard and safety-related accessories for construction site



2021FY 2Q Net Sales by Regions (Asia)

Although the business mainly in Southeast Asia was affected by the state of affairs in Myanmar, the transportation business has grown as the axis in Asia. Moreover, the apparel business has been recovering.

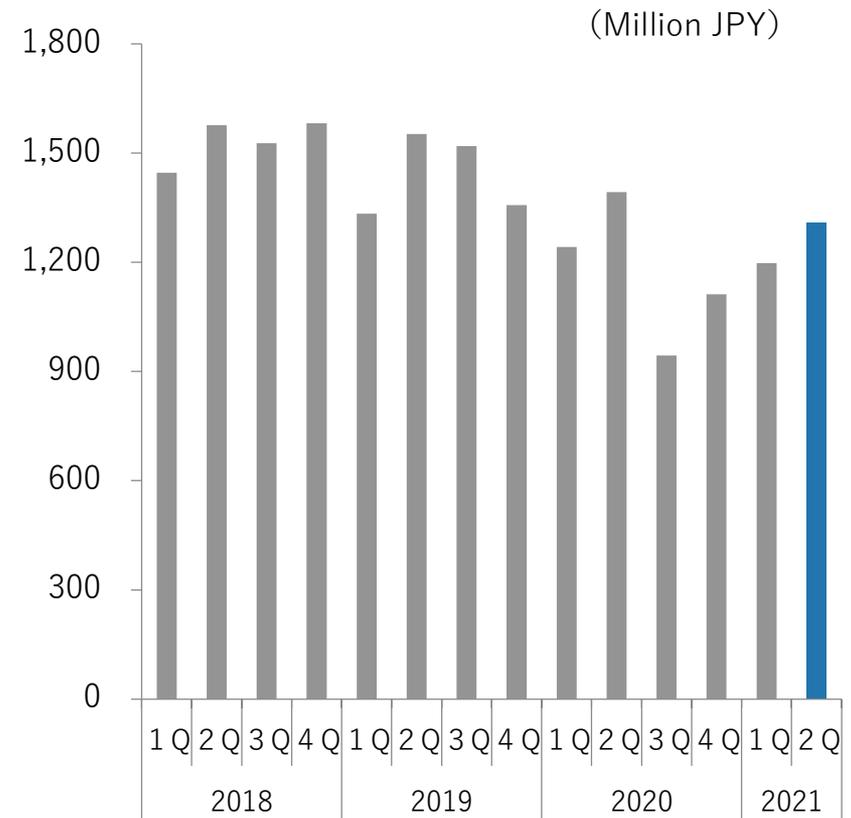
- Increase of accessories to Europe and the U.S. apparel manufacturers in Hong Kong
- Decrease of accessories to Japanese apparel manufacturers in Thailand
- Increase of automobile interior components to Japanese automobile manufacturers in China



2021FY 2Q Net Sales by Regions (Europe & the U.S.)

The impact of COVID-19 has continued. However, economic activity has been restarting and net sales have been recovering since 2020FY 3Q.

- Decrease of accessories to apparel manufacturers
- Increase of automobile interior components to Japanese automobile manufacturers in Europe
- Decrease of automobile interior components to Japanese automobile manufacturers in the U.S.



2021FY 2Q Net Sales by Regions (Quarterly)

(Million JPY)

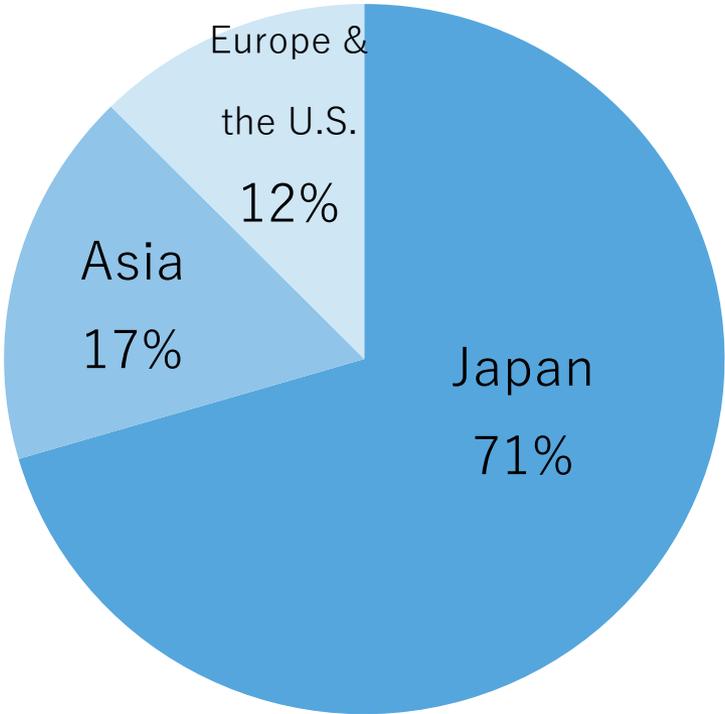
2021FY						
	1 Q	2 Q	Total for the first half	Composition	Increase/Decrease	Y/Y
Japan	7,347	7,291	14,638	69.0%	-326	-2.2%
Asia	2,083	1,996	4,079	19.2%	+481	+13.4%
Europe& the U.S.	1,198	1,309	2,507	11.8%	-128	-4.9%
Total	10,629	10,596	21,225	100.0%	+27	+0.1%

2020FY									
	1 Q	2 Q	Total for the first half	3 Q	4 Q	Total	Composition	Increase/Decrease	Y/Y
Japan	7,902	7,062	14,964	6,141	7,705	28,810	70.7%	-4,452	-13.4%
Asia	2,026	1,572	3,598	1,660	1,967	7,225	17.7%	+262	+3.8%
Europe& the U.S.	1,242	1,393	2,635	944	1,112	4,691	11.5%	-1,071	-18.6%
Total	11,171	10,027	21,198	8,744	10,785	40,727	100.0%	-5,260	-11.4%

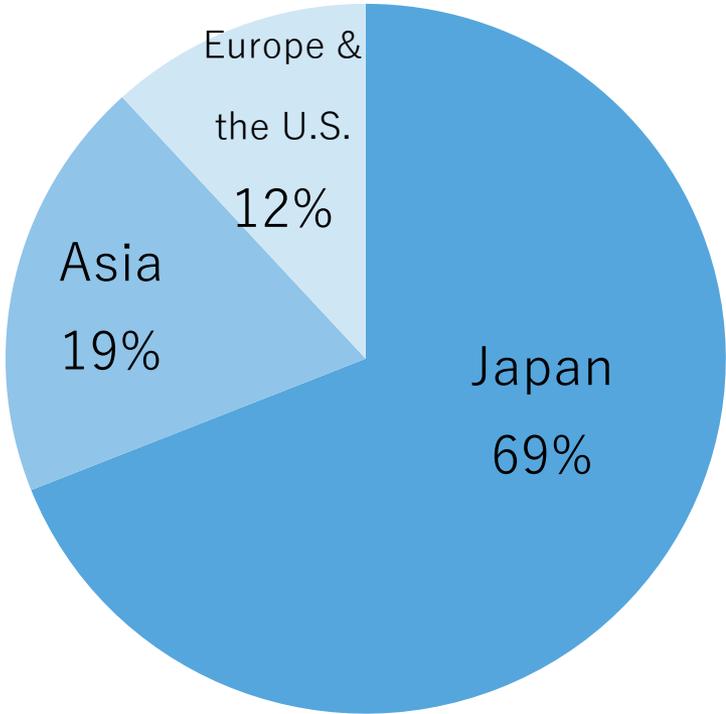
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2021FY 2Q Sales Composition by Region

< 2020 2Q >

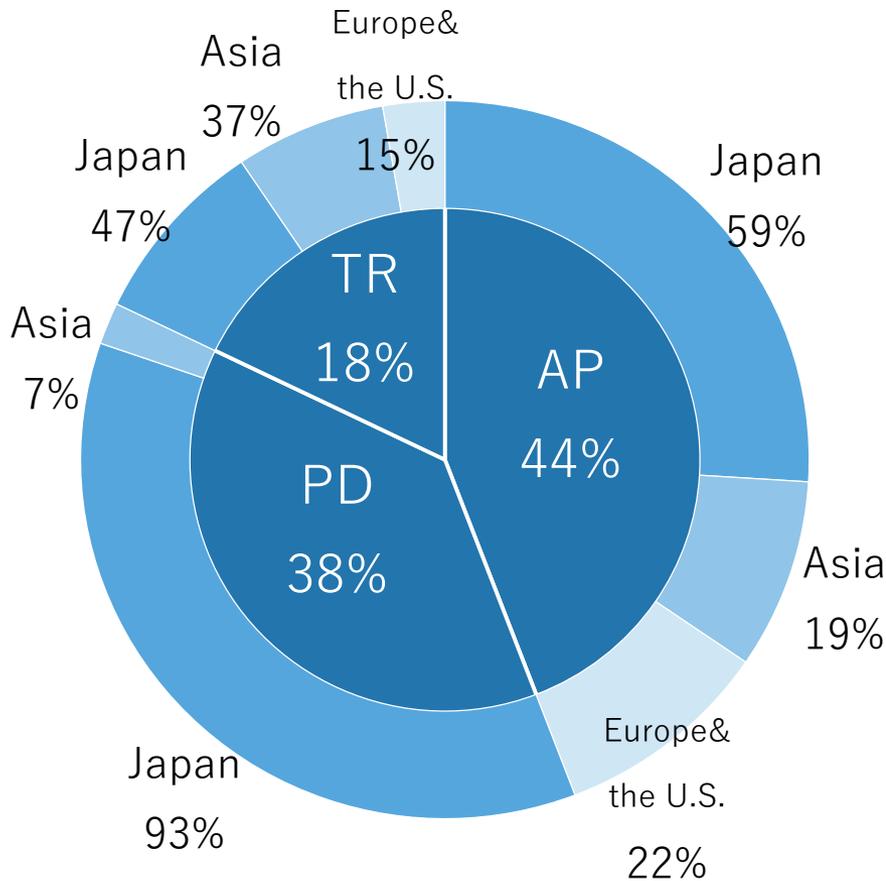


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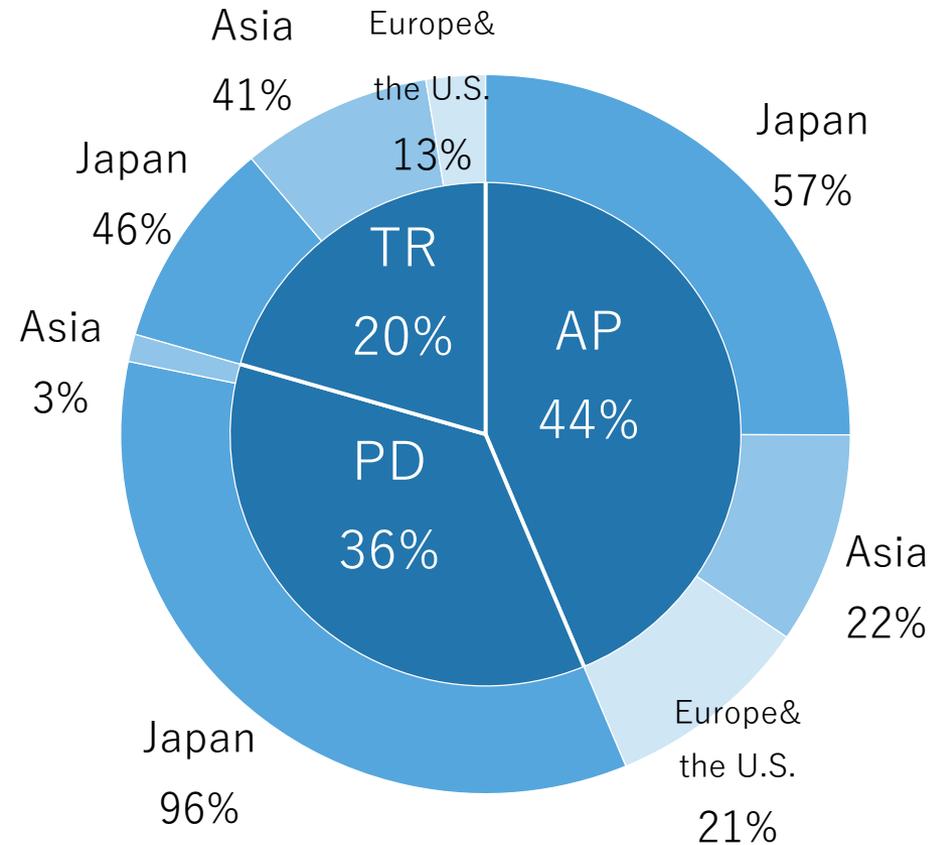


2021FY 2Q Sales Composition by Region & Business

< 2020 2Q >



< 2021 2Q >



AP : Apparel PD : Product TR: Transportation

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Morito Group Project to Develop Eco-friendly Products, "C.O.R.E."

〈Japan Apparel & Product Business〉

We have promoted development apparel accessories made by "REAMIDE" recycled from discarded fishing nets.

We have developed new materials such as tape, rubber, and fabric as well as plastic parts.

(Examples of products made from "REAMIDE")



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Morito Group Project to Develop Eco-friendly Products, "C.O.R.E."

〈 Japan Apparel & Product Business 〉

"C.O.R.E." can approach any industry from all perspectives of "dots, lines and plane".

It has been decided to be adopted by major brands.

(Image to use products of C.O.R.E.)



Outerwear



Button



Bag



Plastic Bottle Holder



Tent



Storage Bags for Surfboards,
etc.



Purse



Strap

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The Product & Services that Integrate AI and IoT with Subsidiary Materials & Accessories, “ Mimalook “

〈Japan Product Business〉

Launching GPS Watching Service “Mimalook”

It informs the guardian of their children's and elderly's current location and activity history by carrying it.

This is the first step as ” The Product & Services that Integrate AI and IoT with Subsidiary Materials & Accessories”, the business strategy in the 8th Mid-Term Management Plan.



Official HP

<https://mimalook.jp/>



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Expand Sales of Products Related to Skateboarding & Surfing

〈Japan Product Business〉

Sales of products related to skateboarding & surfing handled by Maneuverline Co., Ltd. have expanded because their sports can be enjoyed outdoors at a safe social distance and attracted attention as an official event of the Tokyo Olympics.

(Skateboarding Featured Products)

The brand of Maneuverline, “etnies” collaborated with Popular YouTuber “SHIMON.” and “Murasaki Sports” for skateboarding shoes.



etnies **SHIMON.**

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Expand Sales of Products Related to Skateboarding & Surfing

(Surfing Featured Products)

Maneuverline Co., Ltd. has started handled “NEILPRYDE”, the brand related wind surfing since 2021FY. Moreover, it has been the import agency for “CHANNEL ISLANDS”, the brand that has famous surfers from around the world and will be expected to increase sales.



NEILPRYDE



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A New Kind of Outdoor Brand "POLeR"

〈 Japan Product Business 〉

A new kind of outdoor brand "POLeR" mixed lifestyles such as surfer, skateboarder and snowboarder has been attracted attention and featured in some magazines because demand for products related to outdoor increases by COVID-19 pandemic.



Dog toy



Dog outdoor sheet



Container case

Expand the products for dollar stores

〈 Japan Product Business 〉

At discount stores that mainly sell insoles, sales of computer-related products such as mousepads are increasing. In addition, the handling of our original brand products such as masks, handicrafts, and beads has begun and has progressed smoothly.

(Examples of our Original Brand Products)



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Development of BtoC Business “52DESIGN”

〈Japan Apparel Business〉

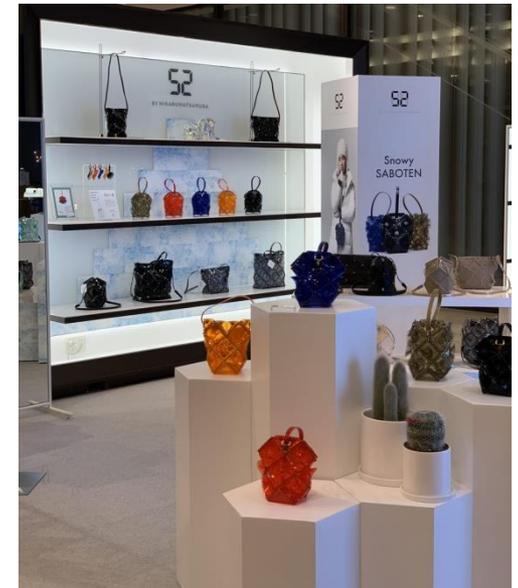
Pop-up stores were held at various department stores and some famous select shops. Going forward, we will focus on collaboration with other industries and sales in Asia.



FROM FIRST MUSEE
BAL KOBE



TATRAS CONCEPT STORE Hibiya



Hankyu Umeda



JR Kyoto Isetan

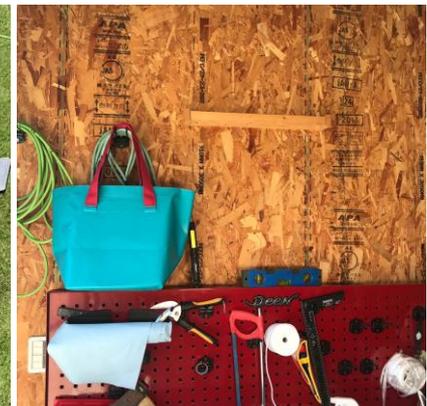
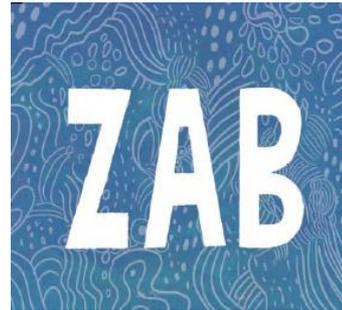
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Development of BtoC Business “Waterproof Material Bag”

〈 Japan Product Business 〉

In addition to the popular waterproof material bag "ZAT", in March 2021 we released a convenient casual waterproof material bag "ZAB" that can be used for outdoor, and it has been adopted by mass retailers.

ZAT



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Participation in the Seminar for Individual Investors

〈Whole Company〉

We participated in the seminar for individual investors held by Events Co., Ltd. and explained our company, business and future. We are focusing on Company PR more actively.

(The state of the seminar)

The state of the seminar can be viewed from the QR code / URL below.

<https://youtu.be/99GMRwOfj6g>

多彩なアイテムで高シェアをマーク

ナショナルブランドペーパー版向け指定業者
金属ホック 世界No.2

マジックテープ* 国内No.1 国内No.1 ハトメ・ホック

インソール 国内No.1 国内No.1 前カン

US BLANKS
サーフボードブランクス 国内No.1 国内No.1 業務用グリスフィルター
レンタルサービス

自動車マットエンブレム 国内No.1 多数 特許・意匠

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※当社調べ zoom



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Basic Dividend Policy

Realize
continuous
dividend
payments

Dividend
payout ratio of
50% more in
relation to profit
attributable to owners
of parent is the
standard※

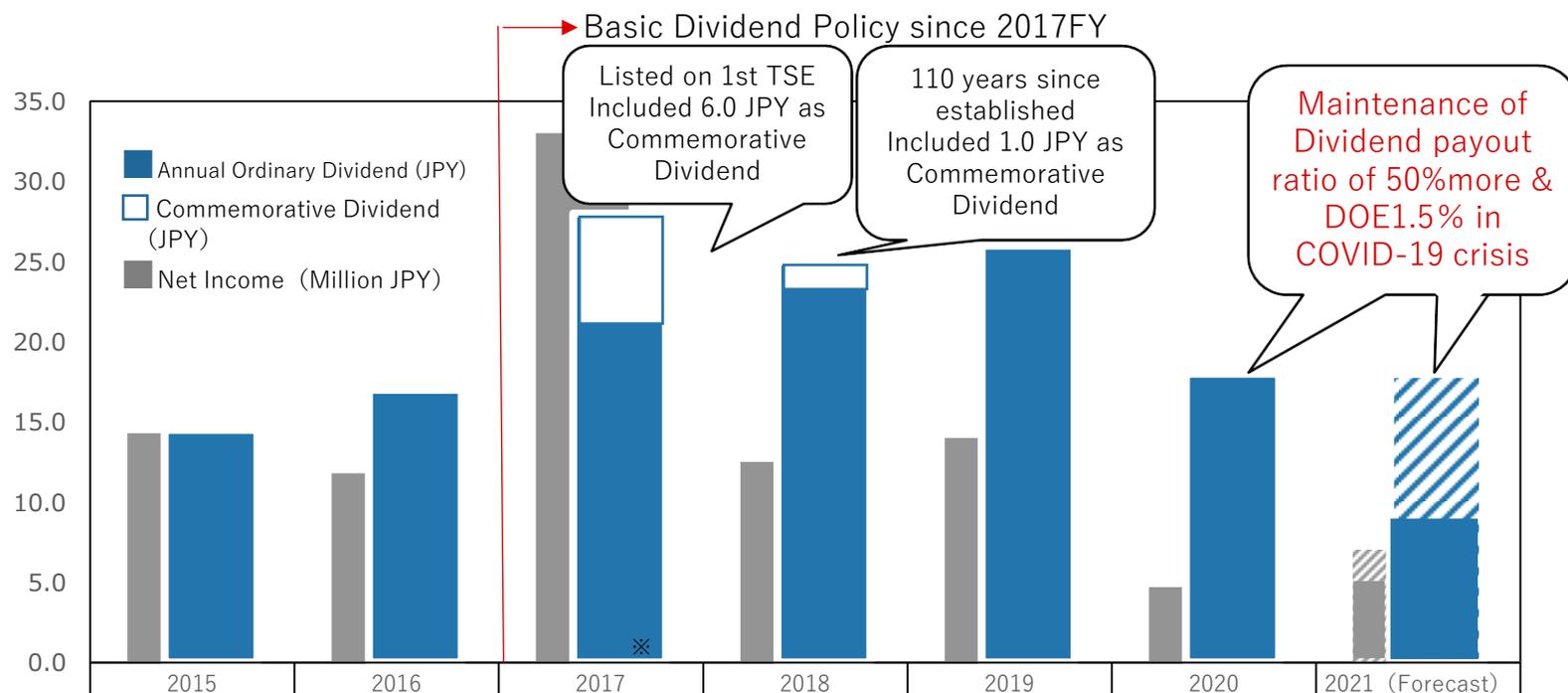
Maintain a
dividend on
equity (DOE)
of 1.5%

※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.

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Trends of Dividend, Dividend Payout Ratio & DOE



	2015	2016	2017	2018	2019	2020	2021 (Forecast)
Net income (Million JPY)	14.3	11.8	33.0	12.5	14.0	4.7	7.0
Annual dividend per share (JPY)	14.5	17.0	28.0	25.0	26.0	18.0	18.0
Interim dividend per share (JPY)	7.0	8.0	14.0	12.5	13.0	13.25	9.0
Year-end dividend per share (JPY)	7.5	9.0	14.0	12.5	13.0	4.75	9.0
Dividend payout ratio (%)	29.3	41.0	23.5	54.7	50.8	104.8	70.4
DOE (%)	1.37	1.69	2.42	2.13	2.22	1.53	1.54

※ The dividend payout ratio for the fiscal year ended November 30, 2017 is 23.5% in the table, but based on the ordinary dividend of 22 yen excluding the commemorative dividend and the net income attributable to shareholders of the parent company excluding extraordinary gains and losses, the dividend payout ratio is more than 50%.

Disclaimer

This handout has been prepared for only information purposes and made 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 in this presentation are judged by information known as of the day of presentation and contains some potential risks and uncertainties.

Therefore, please be aware that the content of the forecast may differ significantly from actual results, due to various factors such as change of business environment.

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