

Morito Co., Ltd.

**Presentation Materials for the First
Quarter of Fiscal Year Ending
November 30, 2023, Financial Results**

Prime Market of TSE: 9837

April 2023

Where innovation is the norm

MORITO

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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 hooks
- 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 19 locations around the world

● Operating three businesses

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



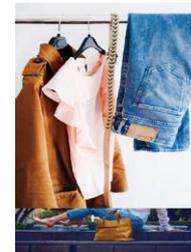
Eyelets

Hooks



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>



Hooks

MAGIC TAPE®

Buttons



Tape

Eyelets and
shoelaces

In-house
brands

<Applications>

Casual wear/shoes
Sportswear/shoes
Working wear/shoes
Medical wear, baby wear
Formal wear/shoes, bags

Product Business

<Examples of products handled>



MAGIC TAPE®

Resin parts

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

Transportation Business

<Examples of products handled>



Hooks

MAGIC TAPE®

Nets



Emblems

Trunk floor
lining

Door armrests

<Applications>

Automotive interior components
Railway and Shinkansen interior components
Aircraft interior components

(FY 2022)

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 crisis, 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 hooks in Japan, and the highest or second highest in the world.

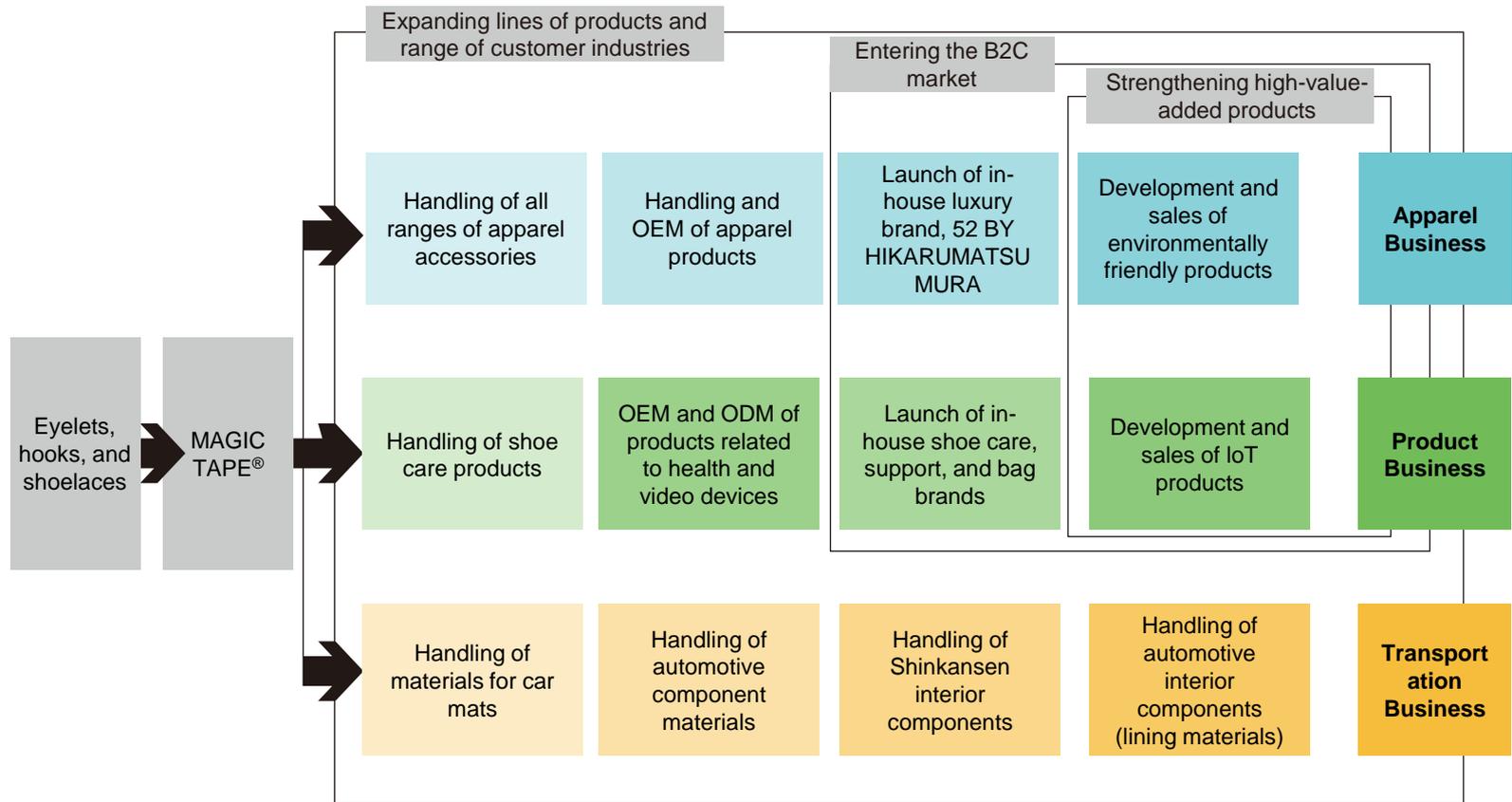
- **Global manufacturing, procurement, and sales capabilities**

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.

2

Medium- and Long-term Policy

Past Efforts to Become a “Global Niche Top Company”



Past Efforts to Become a “Global Niche Top Company”

Building global network

Sales and procurement

Hong Kong, USA, Netherlands, China (Shanghai), Thailand, Myanmar, Mexico

Manufacturing

China (Shenzhen), USA (Georgia), Vietnam

M&A

Scovill (USA), Matex (Japan), Maneuverline (Japan)

Enhancing profitability

- Establishing a global quality assurance system
- Establishing an in-house logistics center
- Transitioning to a holding company structure
- Splitting operating company, Morito Japan

Strengthening management system

- Diversity and work style reform
- Personnel strategies, including hiring mid-career workers

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



3

8th Mid-term Management Plan

8th Mid-term Management Plan (Running through FY 2026)

Made partial changes to the 8th Mid-term Management Plan in January 2023

Key Changes

1. Formulated a sustainability policy

[▶https://www.morito.co.jp/sustainability_en/](https://www.morito.co.jp/sustainability_en/)

2. Revised capital policy

Build a stable and well-balanced financial capital structure in order to procure and manage funds necessary for corporate activities in a stable and efficient manner over the long run

Strategies

- (1) Improve medium- to long-term capital efficiency (ROE) → Adopt efficient management practices
- (2) Add stability to the performance-based capital return to shareholders → Distribute profits appropriately
- (3) Improve asset efficiency → Streamline balance sheet, create cash flows, and actively invest funds
- (4) Optimize capital structure → Utilize financial leverage

8th Mid-term Management Plan (Running through FY 2026)

Made partial changes to the 8th Mid-term Management Plan in January 2023

Key Changes

3. Change in shareholder return policy

Determine based on the Basic Dividend Policy below, taking into consideration investment projects and financial conditions (beginning in FY 2023)

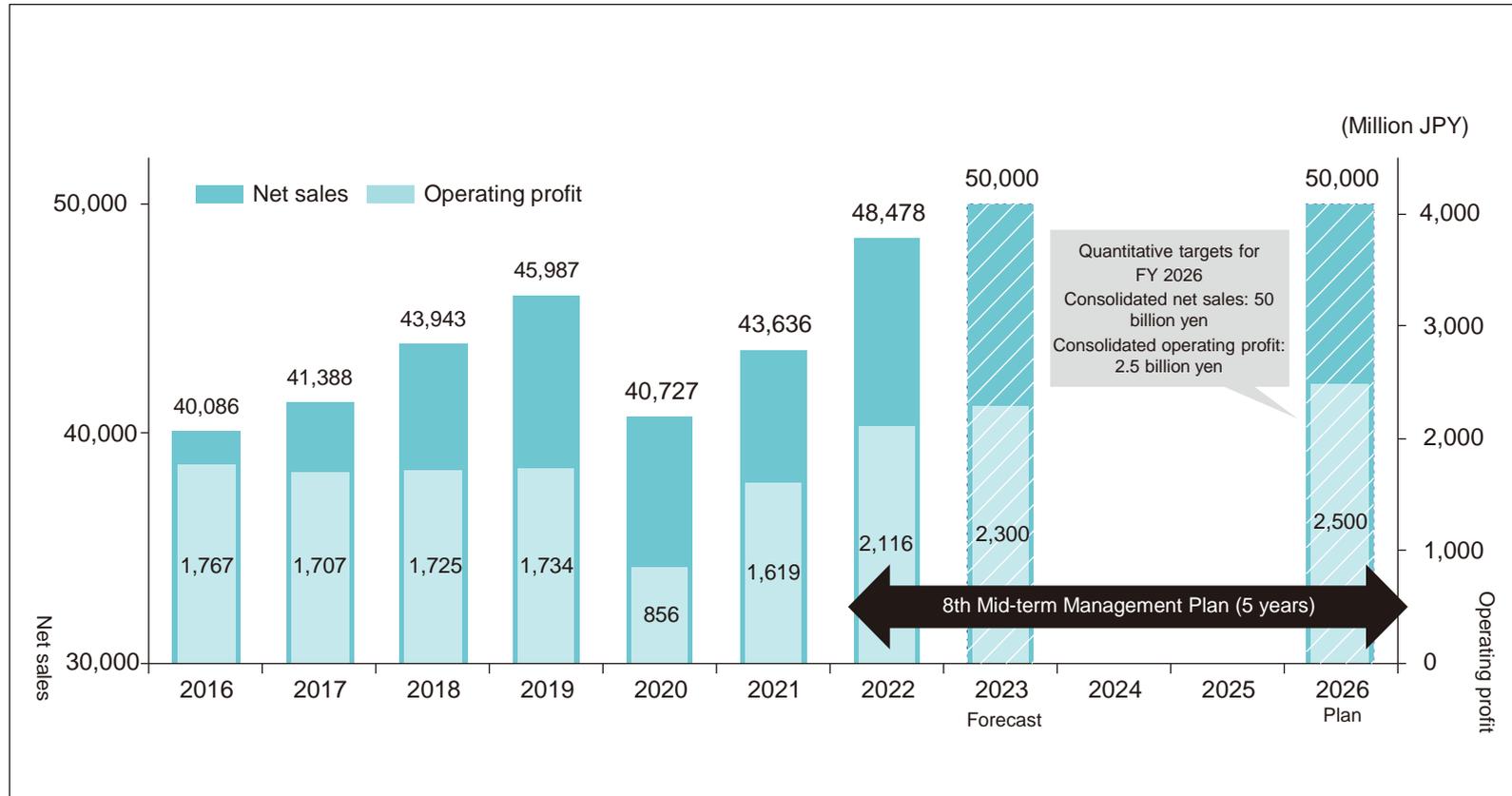
- **Realize stable and continuous dividend payments**
- **Dividend payout ratio of 50% or more on a consolidated basis in relation to profit attributable to owners of parent**
- **Dividend on equity (DOE) ratio target of 4.0% on a consolidated basis**

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 light of the corresponding impact.

8th Mid-term Management Plan Quantitative Targets (for FY 2026)

Set FY2022–FY2026 quantitative targets for net sales and operating profit at 50,000 million JPY and 2,500 million JPY respectively

*If both net sales and operating profit reach the target figures early, revise them.



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FY2023.11 1Q Financial Results

FY2023 1Q Highlights

- **Stagnant demand due to slowing consumption in Europe, the U.S., and China on top of rising raw material prices, delays in marine transportation, and rising transportation costs**
- **Despite signs of recovery, the semiconductor shortage continued into 1Q**
- **Gross profit ratio improved significantly due to an improvement in the cost of sales ratio through price negotiations and an increase in sales of high-value-added products**
- **1Q net sales, operating profit, ordinary profit, and net income hit all-time highs since we began reporting quarterly results**

FY2023 1Q Summary of Financial Results

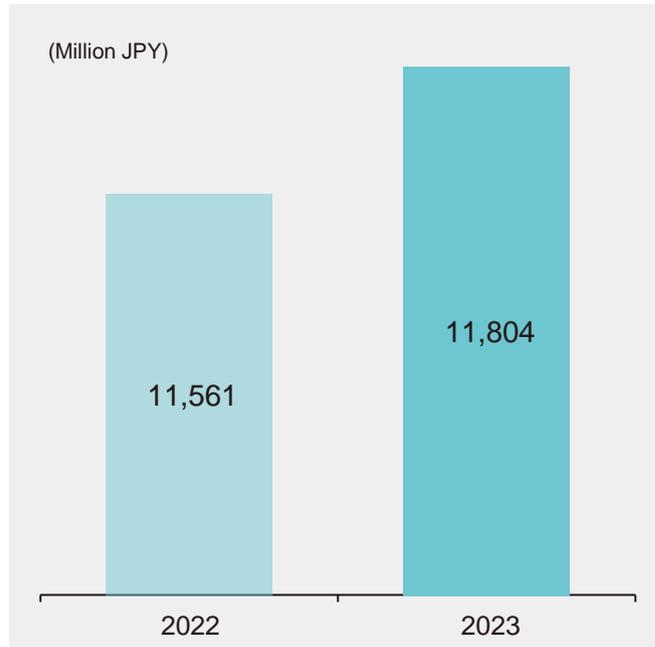
(Million JPY)

	FY 2022	FY 2023	Increase/Decrease	Y/Y
Net sales	11,561	11,804	+243	+2.1%
Gross profit	3,058	3,232	+174	+5.7%
Gross profit ratio	26.5%	27.4%		
Cost	2,448	2,613	+165	+6.8%
Cost ratio	21.2%	22.1%		
Operating profit	610	619	+9	+1.5%
Operating profit ratio	5.3%	5.2%		
Ordinary profit	655	661	+6	+0.9%
Ordinary profit ratio	5.7%	5.6%		
Net income	449	516	+67	+14.9%
Net income ratio	3.9%	4.4%		

FY2023 1Q Net Sales

Net sales: 11,804 million JPY Y/Y: +243 million JPY (+2.1%)

Increased due to higher sales for Japan segment and recovery of transportation business in Europe and the U.S.



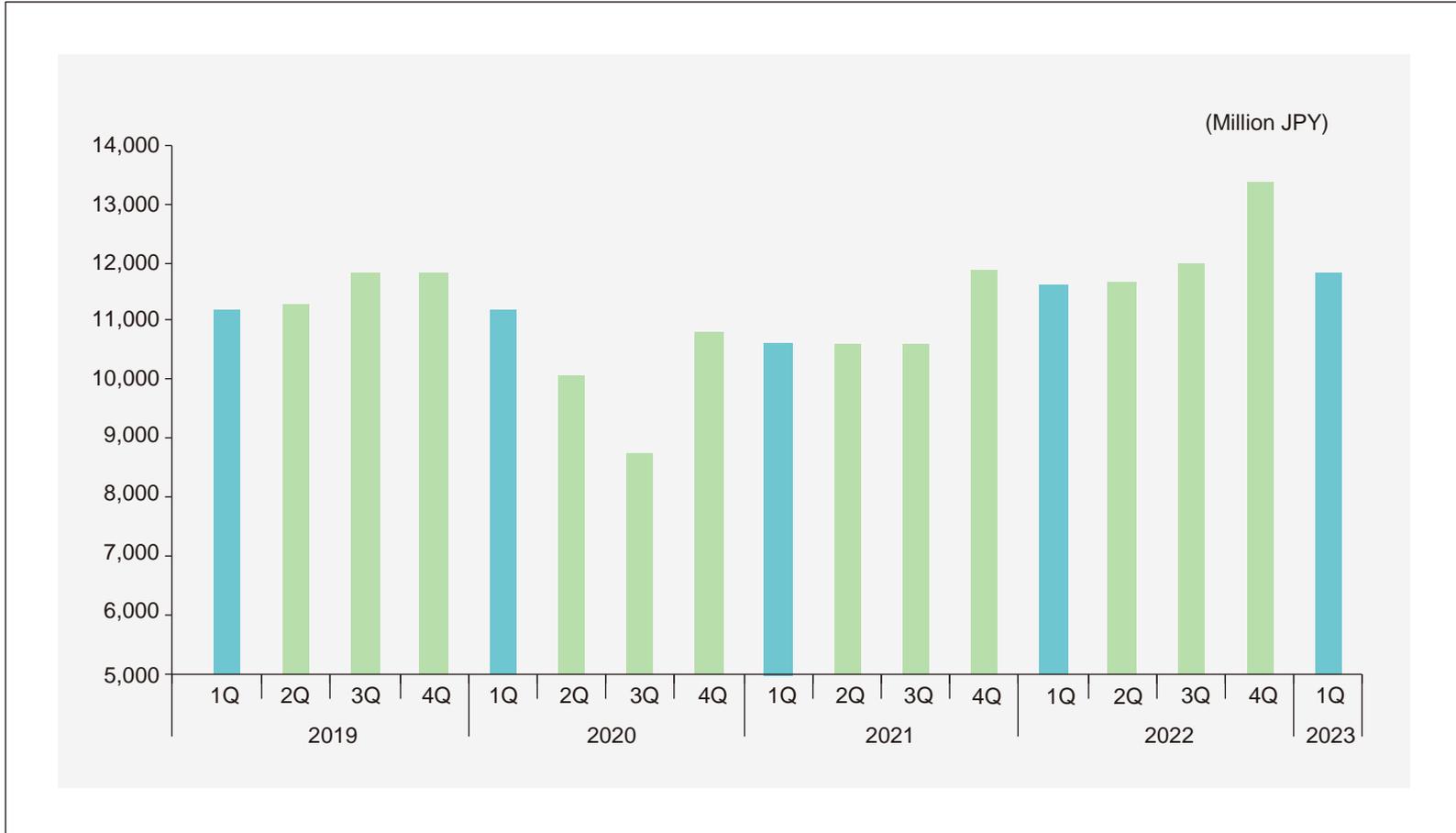
Japan 8,502 million JPY
Y/Y: +590 million JPY (+7.5%)

Asia 1,719 million JPY
Y/Y: -493 million JPY (-22.3%)

Europe & the U.S. 1,582 million JPY
Y/Y: +146 million JPY (+10.2%)

FY2023 1Q Quarterly Financial Trends

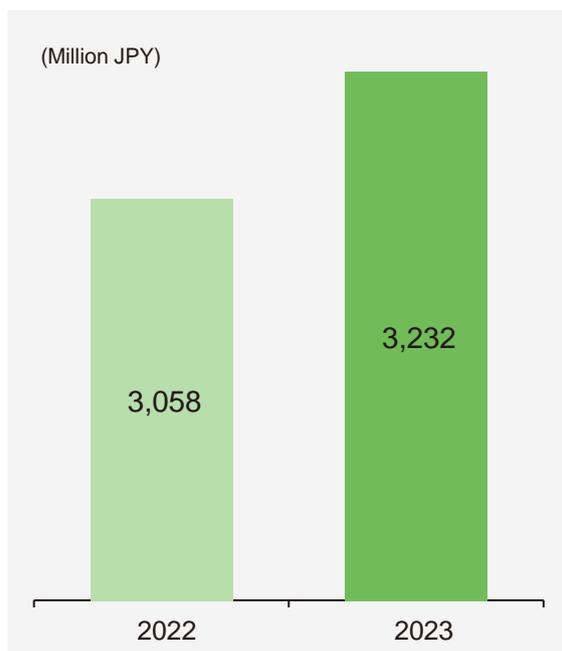
1Q was off to a good start. Net sales hit a record high since we began reporting quarterly results.



FY2023 1Q Gross Profit

Gross profit: 3,232 million JPY Y/Y: +174 million JPY (+5.7%)

Increased due to higher sales and improved gross profit ratio



(Million JPY)

	FY 2022	FY 2023	Increase/ Decrease	Y/Y
Net sales	11,561	11,804	+243	+2.1%
Gross profit	3,058	3,232	+174	+5.7%
Gross profit ratio	26.5%	27.4%		
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Operating profit	610	619	+9	+1.5%
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Net income	449	516	+67	+14.9%

FY2023 1Q Trends in Net Sales & Gross Profit Ratio

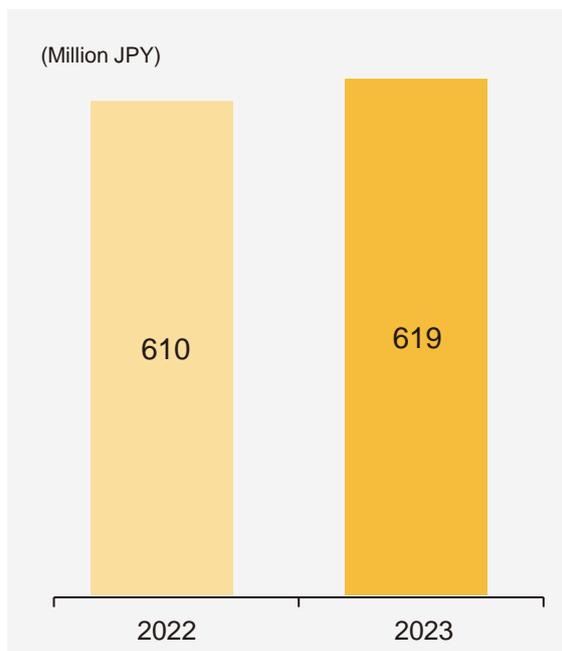
Gross profit ratio improved significantly due to an improvement in the cost of sales ratio through price negotiations and an increase in sales of high-value-added products.



FY2023 1Q Operating Profit

Operating profit: 619 million JPY Y/Y: +9 million JPY (+1.5%)

Increased due to higher gross profit.



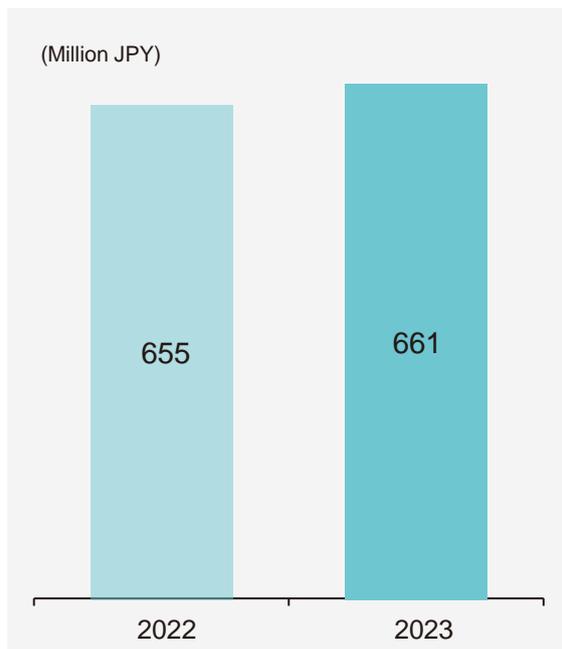
(Million JPY)

	FY 2022	FY 2023	Increase/ Decrease	Y/Y
Net sales	11,561	11,804	+243	+2.1%
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Operating profit	610	619	+9	+1.5%
Operating profit ratio	5.3%	5.2%		
Ordinary profit	655	661	+6	+0.9%
Ordinary profit ratio	5.7%	5.6%		
Net income	499	516	+67	+14.9%
Net income ratio	3.9%	4.4%		

FY2023 1Q Ordinary Profit

Ordinary profit: 661 million JPY Y/Y: +6 million JPY (+0.9%)

Increased due to higher operating profit.



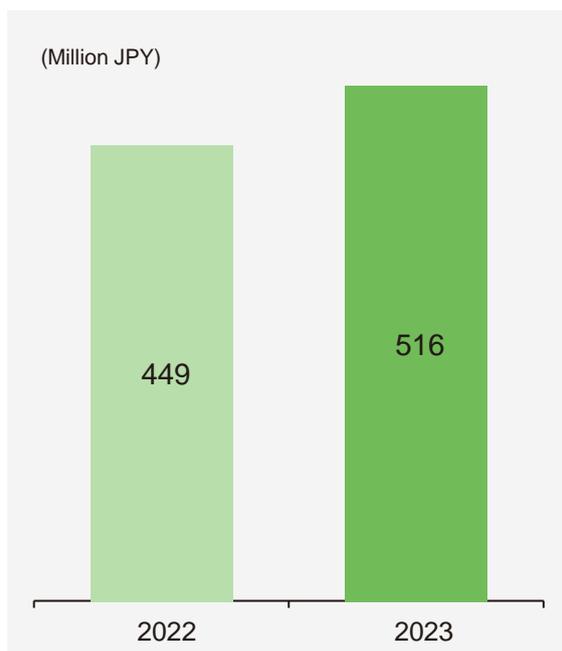
(Million JPY)

	FY 2022	FY 2023	Increase/ Decrease	Y/Y
Net sales	11,561	11,804	+243	+2.1%
Gross profit	3,058	3,232	+174	+5.7%
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Operating profit	610	619	+9	+1.5%
Operating profit ratio	5.3%	5.2%		
Ordinary profit	655	661	+6	+0.9%
Ordinary profit ratio	5.7%	5.6%		
Net income	499	516	+67	+14.9%
Net income ratio	3.9%	4.4%		

FY2023 1Q Net Income

Net income: 516 million JPY Y/Y: +67 million JPY (+14.9%)

Increased due to an increase in extraordinary income as a result of sale of investment securities, etc.



(Million JPY)

	FY 2022	FY 2023	Increase/ Decrease	Y/Y
Net sales	11,561	11,804	+243	+2.1%
Gross profit	3,058	3,232	+74	+5.7%
Cost	2,448	2,613	+165	+6.8%
Operating profit	610	619	+9	+1.5%
Ordinary profit	655	661	+6	+0.9%
Ordinary profit ratio	5.7%	5.6%		
Net Income	449	516	+67	+14.9%
Net income ratio	3.9%	4.4%		

FY2023 1Q Consolidated Balance Sheets

	2022 4Q	2023 1Q		2022 4Q	2023 1Q
Assets			(Million JPY)		
Current assets	30,481	28,924 (1,557)	Liabilities		
Fixed assets	19,790	19,348 (442)	Current liabilities	9,309	7,958 (1,351)
Total assets	50,271	48,272 (1,999)	Fixed liabilities	4,278	4,231 (47)
			Total liabilities	13,587	12,189 (1,398)
			Net assets		
			Shareholders' equity	31,860	31,933 (+73)
			Accumulated other comprehensive income	4,768	4,101 (667)
			Share acquisition rights	55	48 (7)
			Total net assets	36,684	36,083 (601)
			Total liabilities and net assets	50,271	48,272 (1,999)

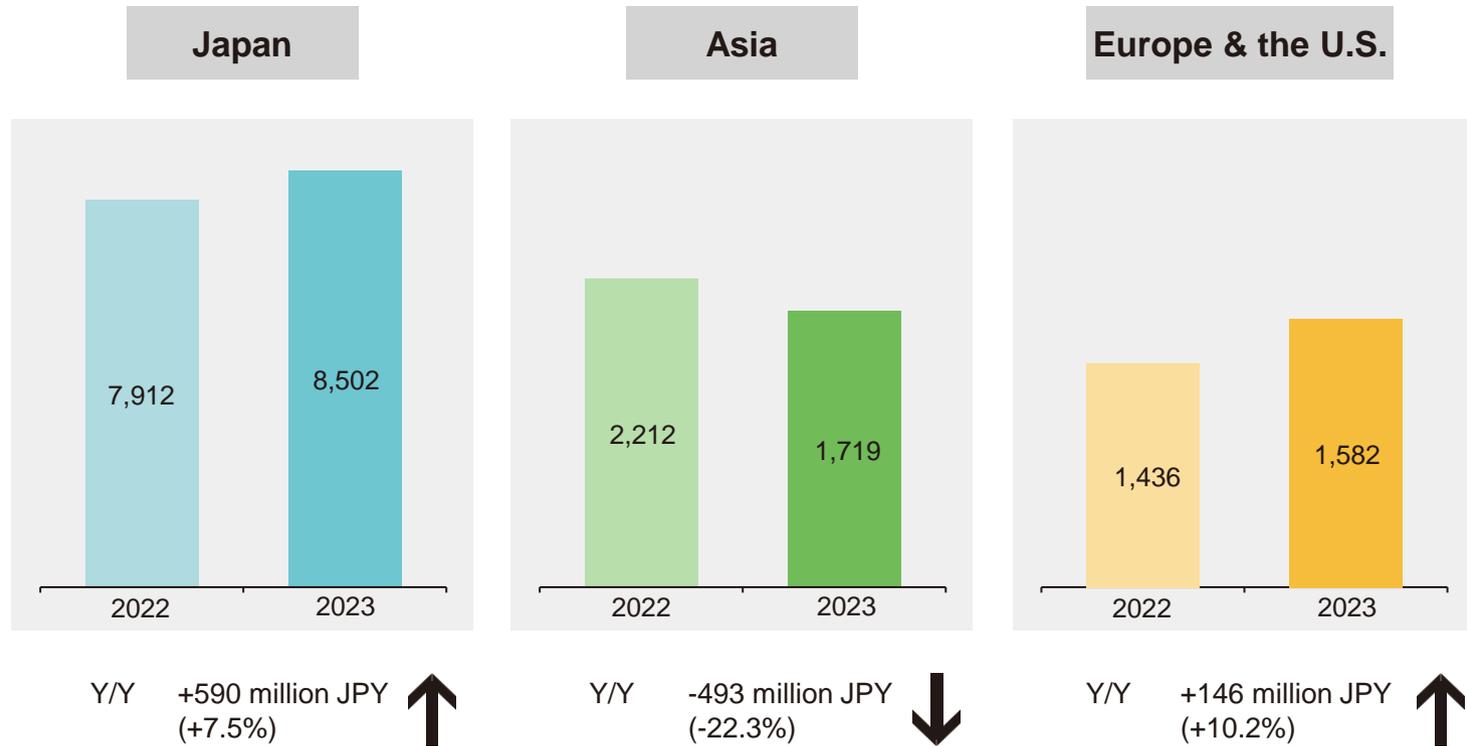
Equity ratio 74.6% (FY2022 4Q 72.9%)

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FY2023.11 1Q Business Overview

FY2023 1Q Net Sales by Region

(Million JPY)

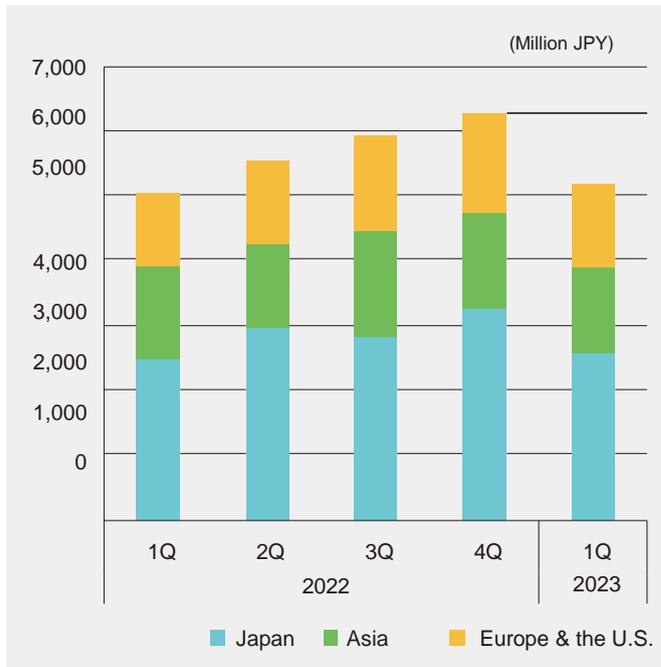


FY2023 1Q Net Sales for Apparel Business

Net sales: 5,158 million JPY Y/Y: +116 million JPY (+2.3%)

Sales of accessories for athletic shoes were strong.

In Asia, Europe, and the U.S., demand remained stagnant and inventories continued to pile up as consumption dropped off.



Japan

- Increase in accessories for working wear
- Increase in accessories for athletic shoes

Asia

- Increase in accessories for baby wear in China and Hong Kong
- Increase in accessories for athletic shoes in Vietnam
- In China and Hong Kong, decrease in accessories for casual wear and working wear sold in Europe and the U.S.

Europe & the U.S.

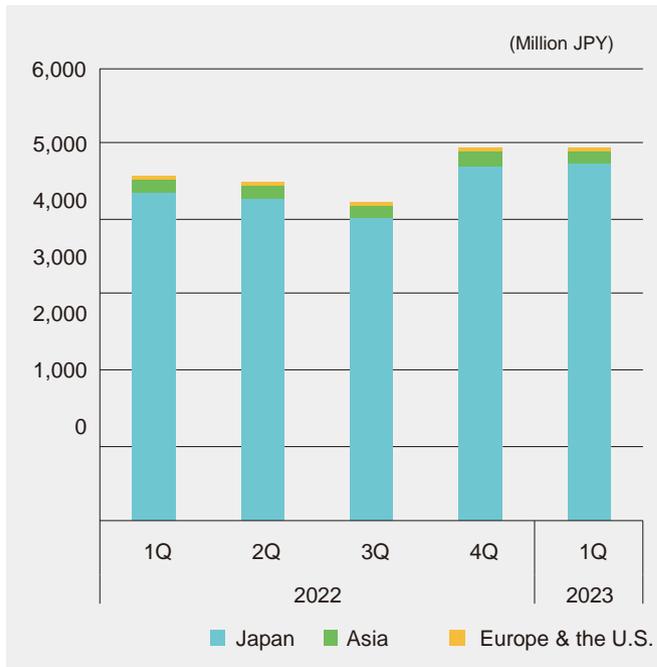
- Decrease in accessories for casual wear
- Increase in accessories for leisure products

FY2023 1Q Net Sales for Product Business

Net sales: 4,920 million JPY Y/Y: +365 million JPY (+8.0%)

Demand remained strong for products sold in Japan.

Large amount of winter snowfall boosted sales of snowboarding products.



Japan

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

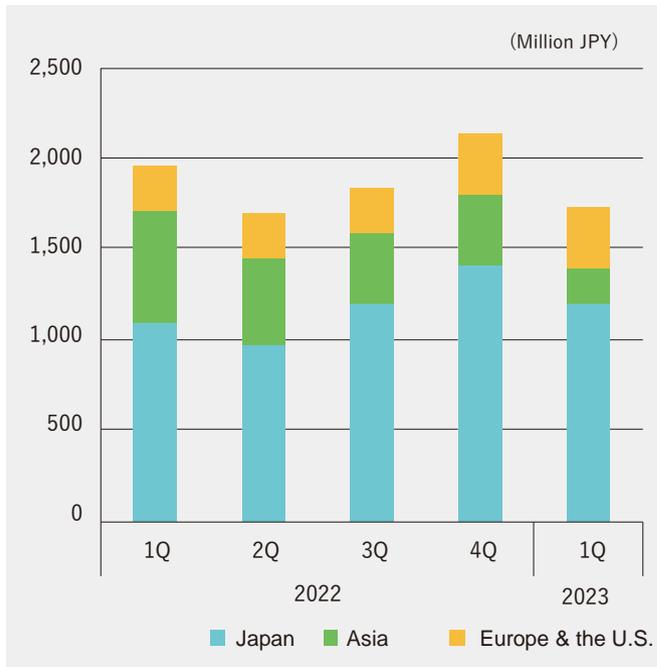
Asia

- On a par with last year

FY2023 1Q Net Sales for Transportation Business

Net sales: 1,725 million JPY Y/Y: -238 million JPY (-12.1%)

The impact of the semiconductor shortage is easing, but the Chinese market is affected by the zero-COVID policy in addition to the semiconductor shortage.



Japan

- Increase in automotive interior components for Japanese automotive manufacturers

Asia

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

Europe & the U.S.

- Increase in automotive interior components for Japanese automotive manufacturers

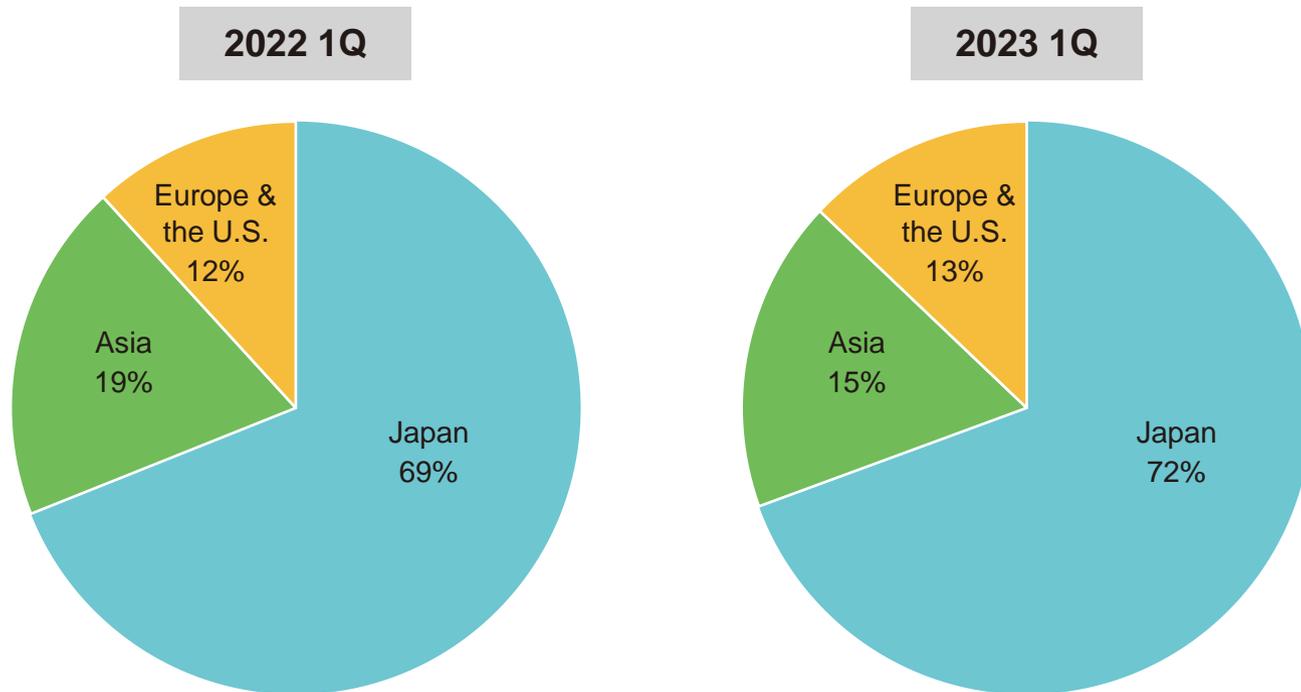
FY2023 1Q Net Sales by Region (Quarterly)

(Million JPY)

FY 2023				
	1Q	Composition	Increase/ Decrease	Y/Y
Japan	8,502	72.0%	+590	+7.5%
Asia	1,719	14.6%	-493	-22.3%
Europe & the U.S.	1,582	13.4%	+146	+10.2%
Total	11,804	100.0%	+243	+2.1%

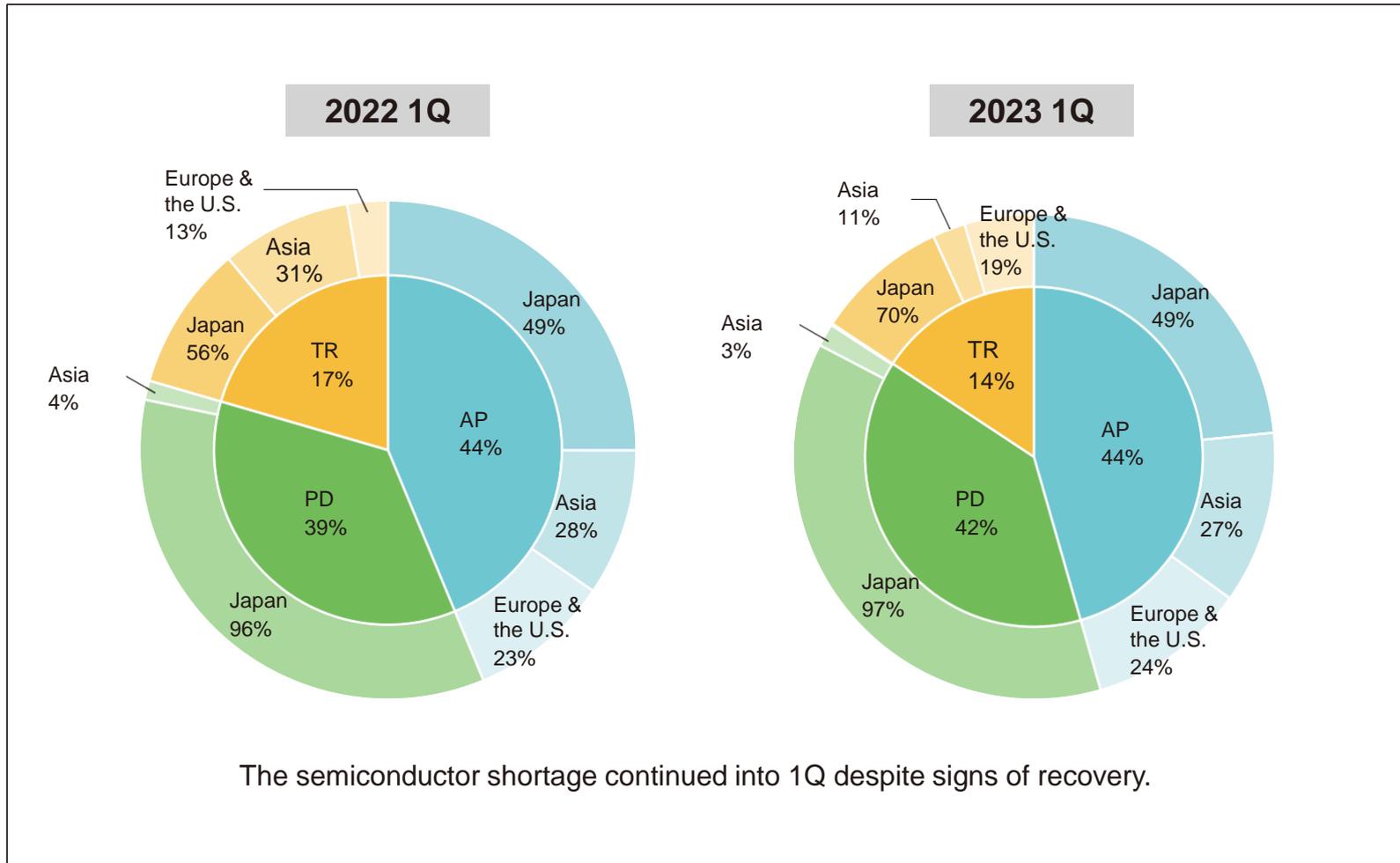
FY 2022								
	1Q	2Q	3Q	4Q	Full year	Composition	Increase/ Decrease	Y/Y
Japan	7,912	8,196	8,031	9,377	33,516	69.1%	+3,287	+10.9%
Asia	2,212	1,885	2,180	2,063	8,340	17.2%	+286	+3.6%
Europe & the U.S.	1,436	1,564	1,755	1,866	6,621	13.7%	+1,268	+23.7%
Total	11,561	11,646	11,965	13,306	48,478	100.0%	+4,842	+11.1%

FY2023 1Q Sales Composition by Region



While domestic demand remained firm, there was a slight change in the composition due to a slowdown in consumption in Europe, the U.S., and China.

FY2023 1Q Sales Composition by Region & Business



FY2023 1Q Forecast & Progress

Progress in 1Q was on target.

	FY2023 1Q	FY2023 Full-Year Forecast	Progress
Net sales	11,804	50,000	23.6%
Operating profit	619	2,300	26.9%
Operating profit ratio	5.2%	4.6%	
Ordinary profit	661	2,450	27.0%
Ordinary profit ratio	5.6%	4.9%	
Net income	516	1,800	28.7%
Net income ratio	4.4%	3.6%	

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Business Topics

Environmental Initiatives Rideeco

We continue to focus on the development and sales of products using materials made from discarded fishing nets.

Our fabric made from discarded fishing nets was adopted for smartphone pouches sold at Lexus Collection Spring/Summer 2023. Sales are expanding in industries other than apparel.



Participating in Exhibitions in Japan and Overseas

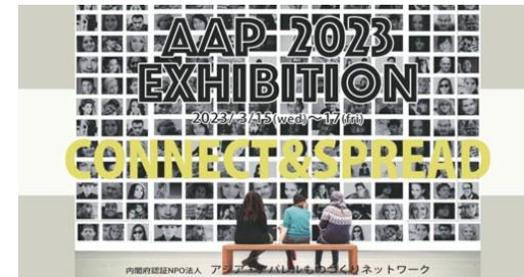
We participated in a number of exhibitions in Japan and overseas to promote our Rideeco initiative and the environmentally friendly products we have developed.



NEW ENERGY TOKYO
<https://new-energy.ooo/>



The NW Materials Show2023
<https://americanevents.com>



AAP 2023 EXHIBITION CONNECT & SPREAD
<http://www.aap-net.com/>

Group Company Ace Industrial Machinery Co., Ltd. (Product Business)

The company provides rental services for grease filters used in commercial kitchen ventilation hoods and has one of the highest market shares in Japan. It provides filter exchange, delivery, and cleaning services across Japan.

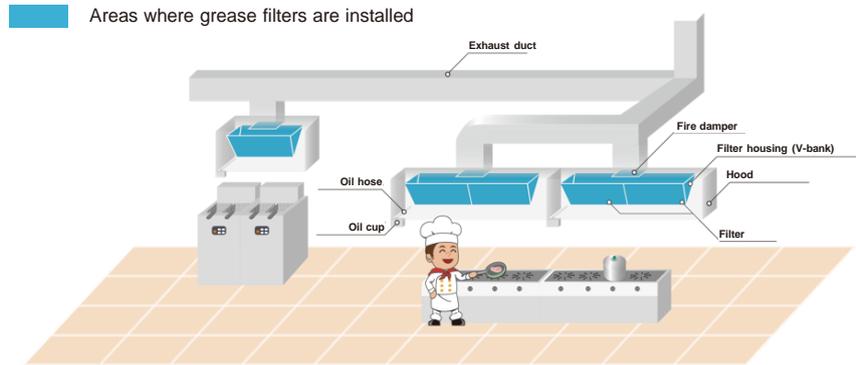
The company also offers kitchen exhaust hood cleaning services, helping restaurant operators realize a comfortable working environment and mitigate the risk of fire.

<https://www.ace-kouki.co.jp/index.html>



Grease filter

A grease filter is installed at the inlet of the exhaust path in restaurant kitchens. It reduces grease build-up in the ducts and the risk of fire.



Number of restaurants using services

There are approximately 620,000 restaurants* in Japan. There is still room for growth!

Approx. 18,000

*Based on the Ministry of Internal Affairs and Communications' 2014 Economic Census for Business Activity

Number of filters owned

If you stacked all our filters flat one on top of another, the pile would stand a towering 3,400 meters high. That's about the same height as the 8th station along the trail to the summit of Mt. Fuji.

If you stacked them vertically they would reach the stratosphere, standing 48.5 kilometers high.

Approx. 137,000

Number of filters cleaned per month

As many as 4,500 filters are cleaned each day.

Approx. 101,000

Group Company Ace Industrial Machinery Co., Ltd. (Product Business)

The company operates a cleaning plant equipped with state-of-the-art cleaning systems at each location.

They efficiently remove contaminants from industrial wastewater to protect the environment.

A new service center was set up in Kanagawa Prefecture in 2022 to expand sales.



In-house plant equipment

Automatic filter cleaning and drying with an automatically controlled crane

Environmentally friendly facility

Ace Industrial Machinery focuses on saving energy in its cleaning plants, reusing water used to clean filters, and appropriately treating wastewater with an eye to achieving the SDGs.

SUSTAINABLE DEVELOPMENT GOALS



3 すべての人に
健康と福祉を



6 安全な水とトイレ
を世界中に



11 住み続けられる
まちづくりを



14 海の豊かさを
守ろう

52 BY HIKARUMATSUMURA (Apparel Business)

52 BY HIKARUMATSUMURA is our original brand for high-end designer bags.

Increased purchases from China and other Asian countries bode well for growing demand from inbound tourists.

Products are also sold via live streaming.

<https://52byhikarumatsumura.com/>



<POP-UP STORE>



Hankyu Department Store Umeda Main Store



<Brand Collaborations>



Aquascutum WHITE LABEL



LUNASOL

7

Shareholder Returns

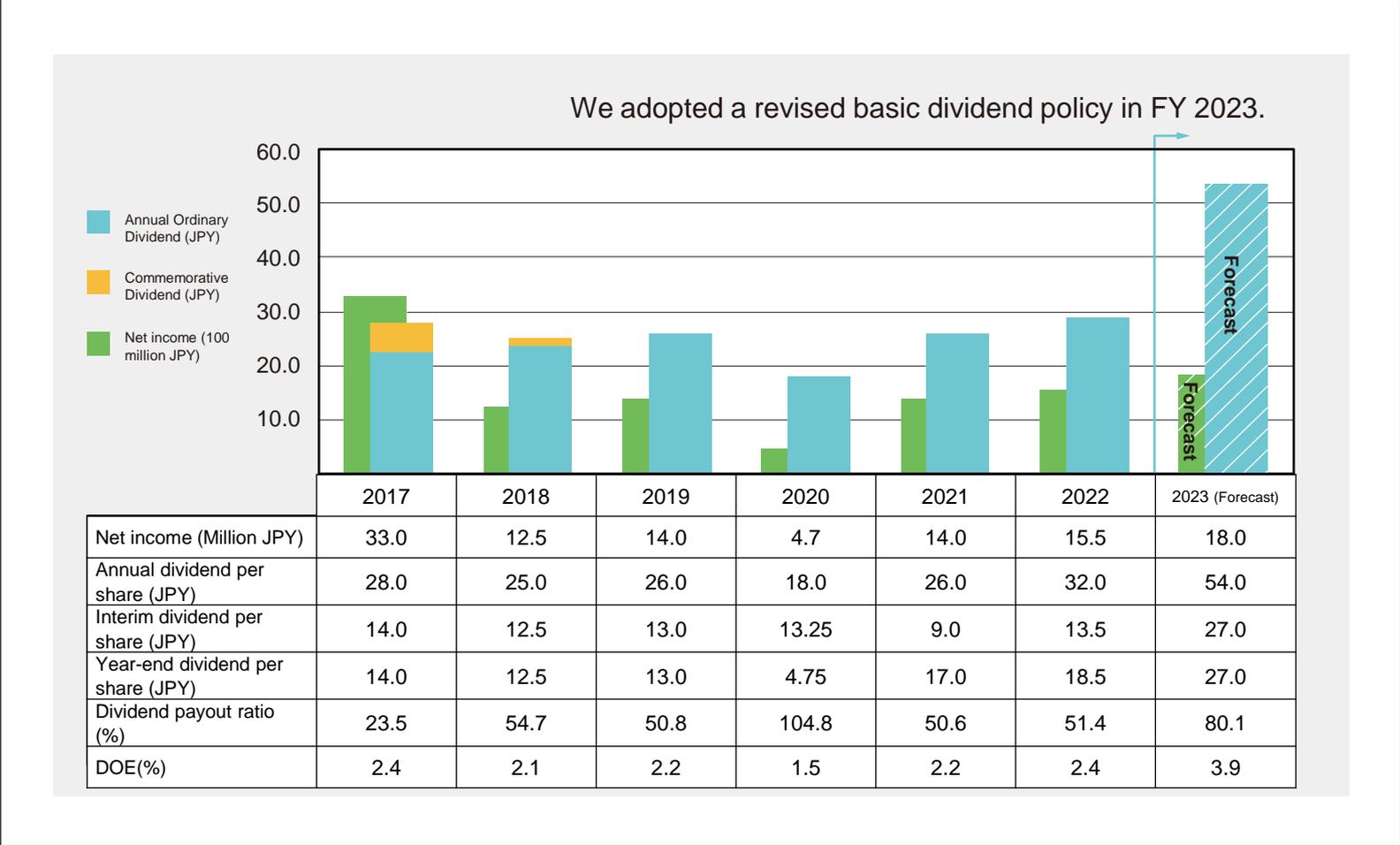
Basic Dividend Policy

The basic policy was revised in FY 2023.

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.). (Beginning in FY 2023)



Trends of Dividend, Dividend Payout Ratio & DOE



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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MORITO

Where innovation is the norm