

**MORITO CO., LTD.**

**Presentation Materials for the Six  
Months of the Fiscal Year Ending  
November 30, 2023, Financial Results**

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Prime Market of TSE: 9837

July 2023

Where innovation is the norm

**MORITO**

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# Company Profile

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# Morito Group Values

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## 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 of in-house production and procurement is 3:7



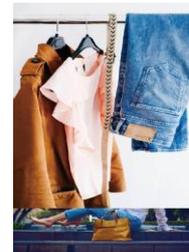
Eyelets

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

(FY2022)

# Morito's Strengths

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- **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 hooks in Japan, and the highest or second-highest in the world.

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

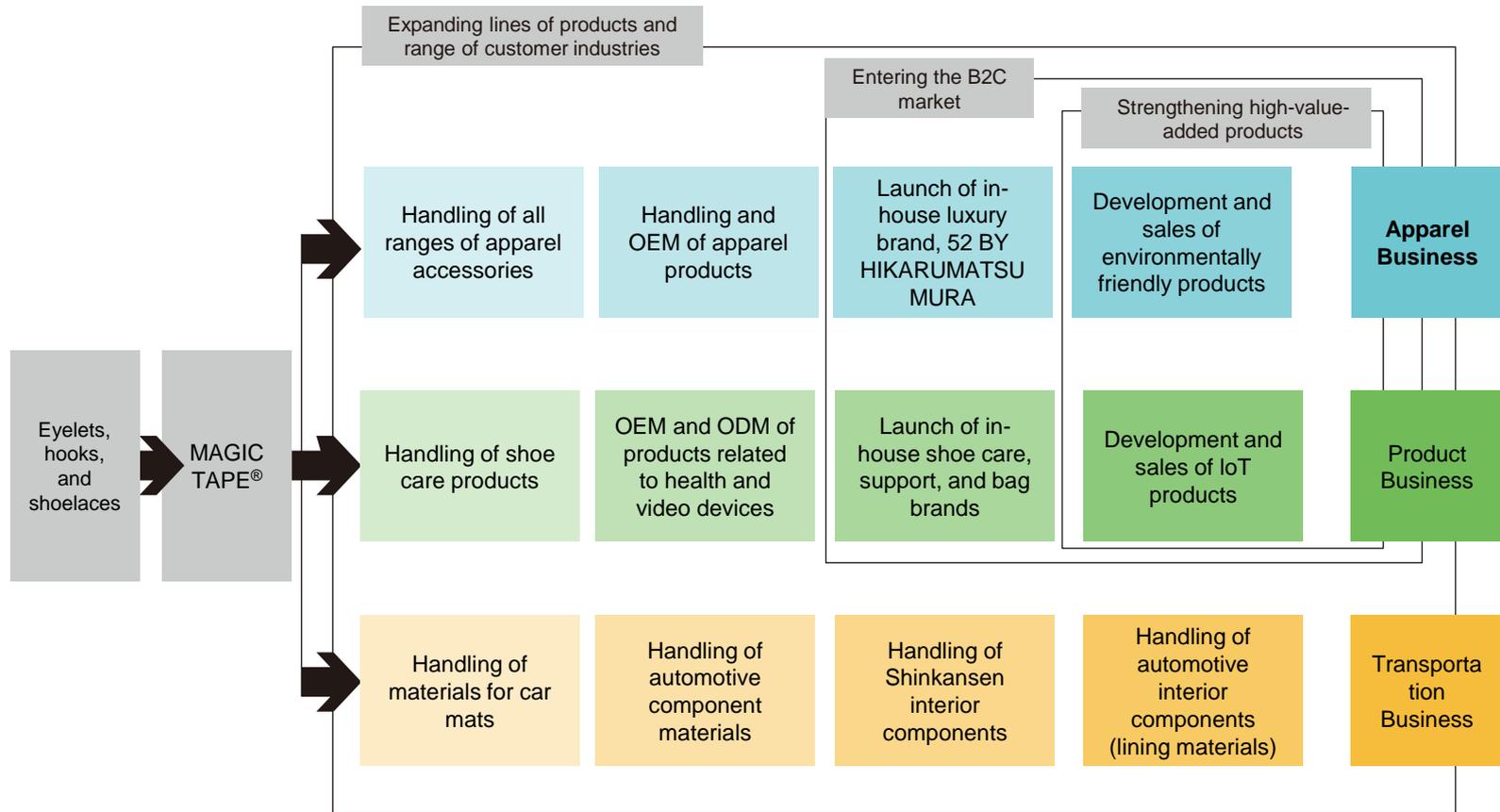
In addition to our own locations, we have partner plants and distributors all over the world, giving us close proximity to our customers and the ability to respond to their every need.

# 2

## **Medium- and Long-term Policy**

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# 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 (Da Nang)

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**



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# 8th Mid-term Management Plan

# 8th Mid-term Management Plan (Running through FY2026)

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 in funds
- (4) Optimize capital structure → Utilize financial leverage

# 8th Mid-term Management Plan (Running through FY2026)

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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 FY2023)

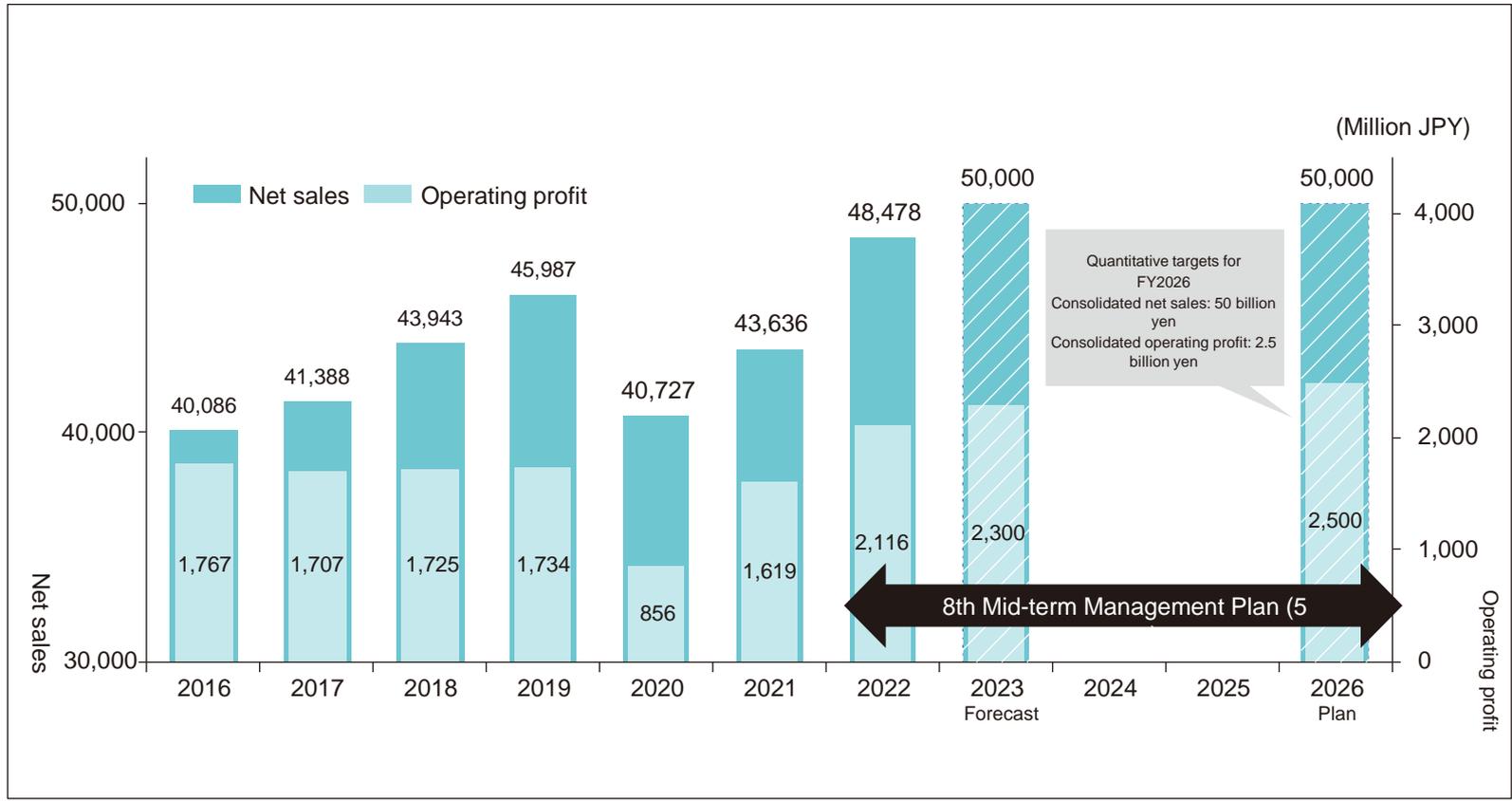
- **Realize stable and continuous dividend payments**
- **Dividend payout ratio of 50% or more on a consolidated basis in relation to profit attributable to owners of parent**
- **Dividend on equity (DOE) ratio target of 4.0% on a consolidated basis**

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 (up to FY2026)

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 2Q Financial Results

## FY2023 2Q Highlights

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- While demand in Europe, the U.S., and China stagnated due to a slowdown in consumption, demand in all markets in Japan recovered significantly.
- Sales of accessories and products with superior functionality were strong.
- Net sales, operating profit, and ordinary profit for the first fiscal half hit all-time highs since we began reporting semiannually.

# FY2023 2Q

# Summary of Financial Results

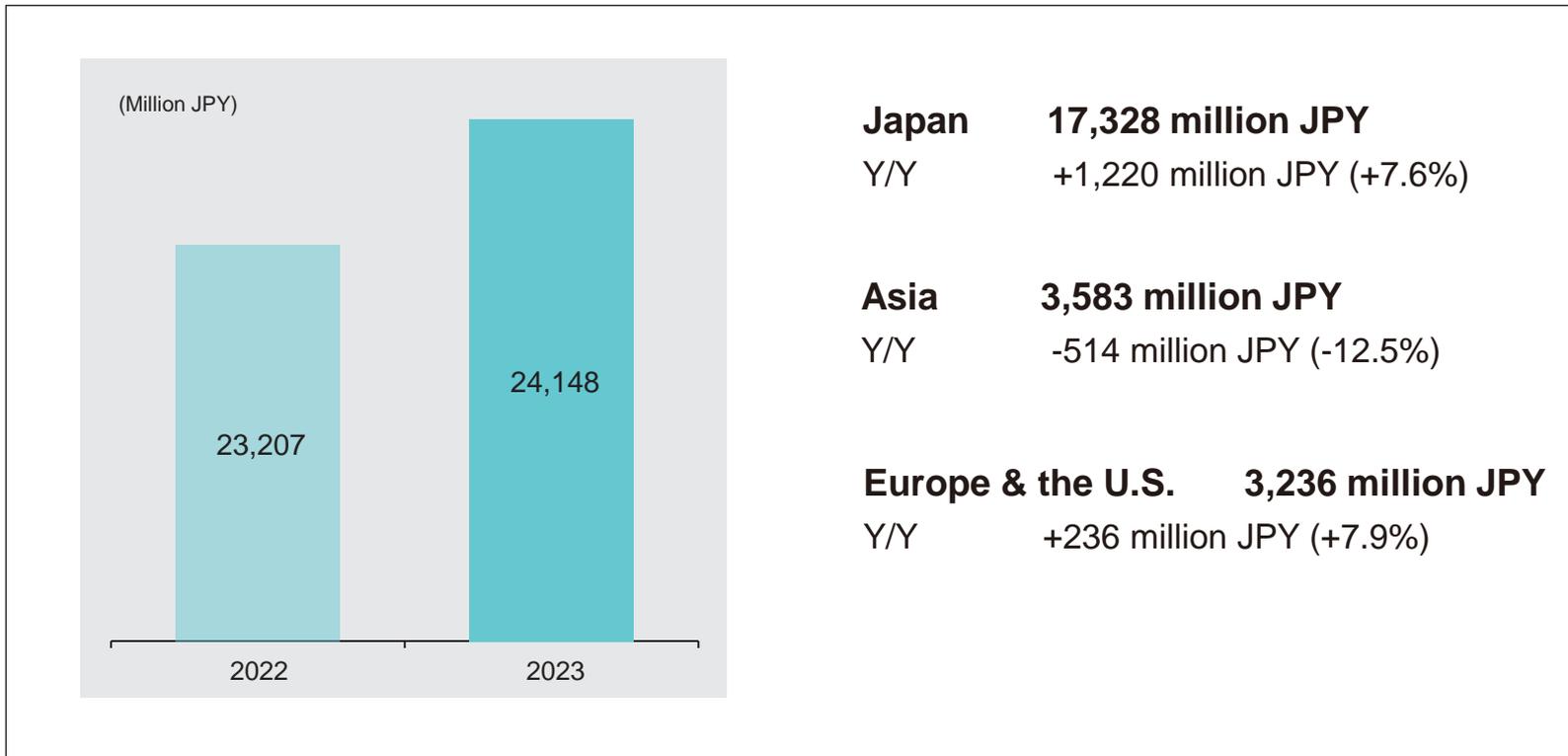
(Million JPY)

	FY2022	FY2023	Increase/Decrease	Y/Y
Net sales	23,207	24,148	+941	+4.1%
Gross profit	6,113	6,541	+428	+7.0%
Gross profit ratio	26.3%	27.1%		
Cost	4,995	5,236	+241	+4.8%
Cost ratio	21.5%	21.7%		
Operating profit	1,117	1,305	+188	+16.8%
Operating profit ratio	4.8%	5.4%		
Ordinary profit	1,219	1,459	+240	+19.6%
Ordinary profit ratio	5.3%	6.0%		
Net income	879	1,308	+429	+48.7%
Net income ratio	3.8%	5.4%		

# FY2023 2Q Net Sales

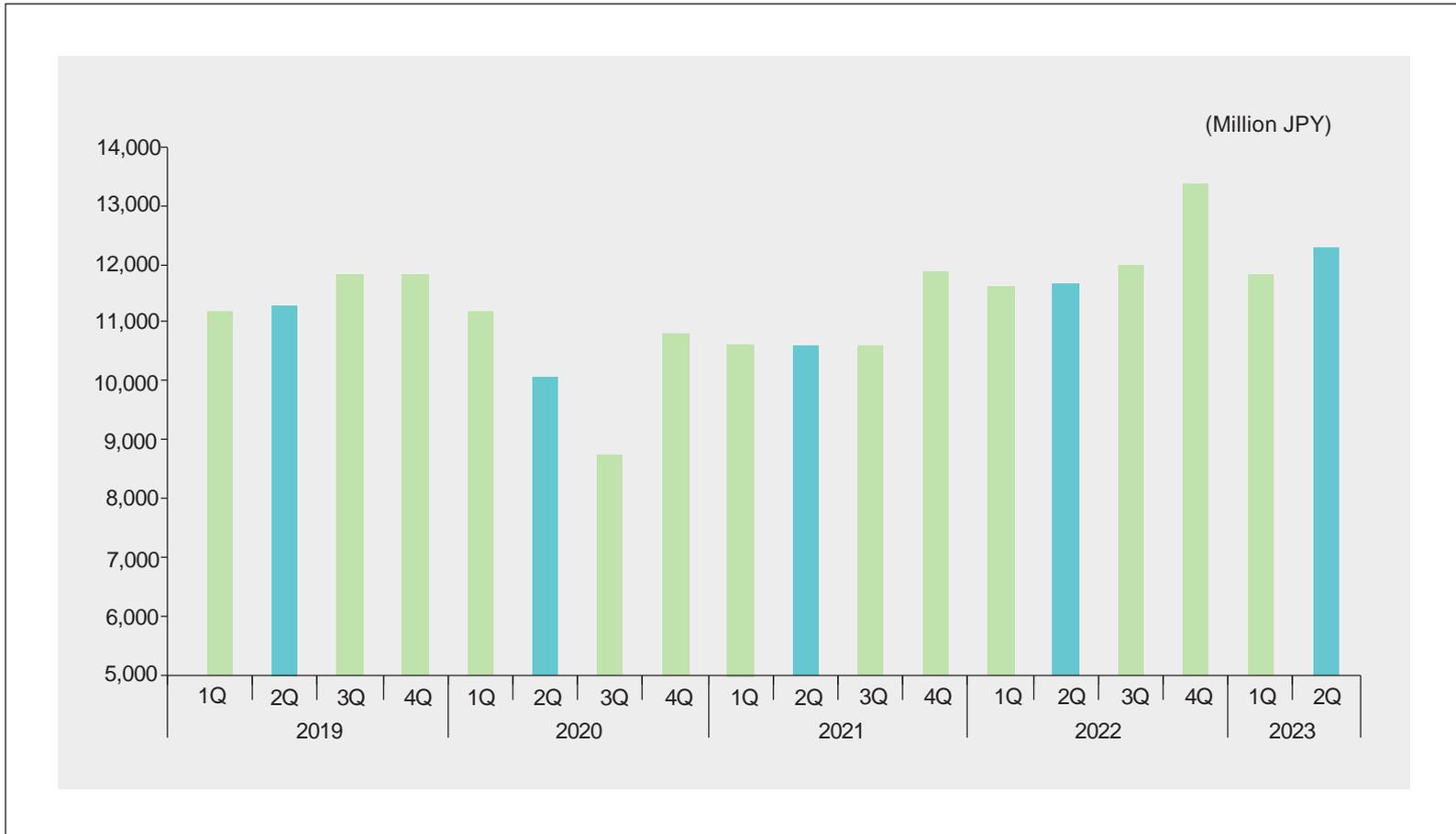
Net sales: 24,148 million JPY Y/Y: +941 million JPY (+4.1%)

Despite concerns about stagnant demand in Europe, the U.S., and China, overall sales were up due to an increase in domestic demand and a recovery in the transportation business in Europe and the U.S.



# FY2023 2Q Quarterly Financial Trends

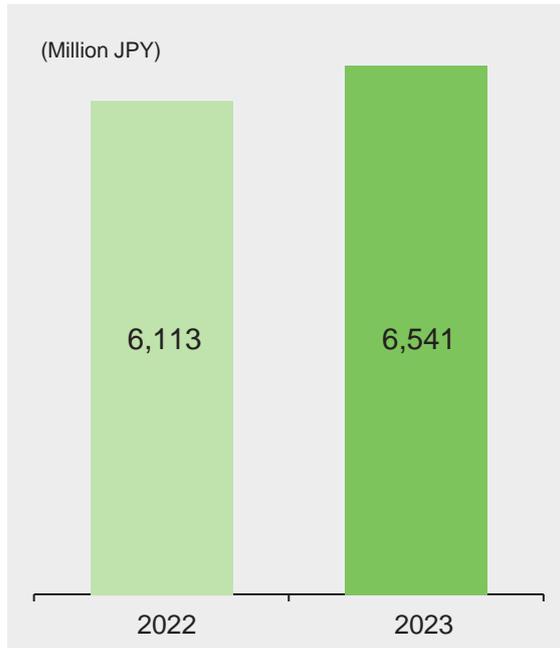
Sales for 2Q alone were also the highest ever.



# FY2023 2Q Gross Profit

Gross profit: 6,541 million JPY Y/Y: +428 million JPY (+7.0%)

Increased due to higher sales and improved gross profit ratio.

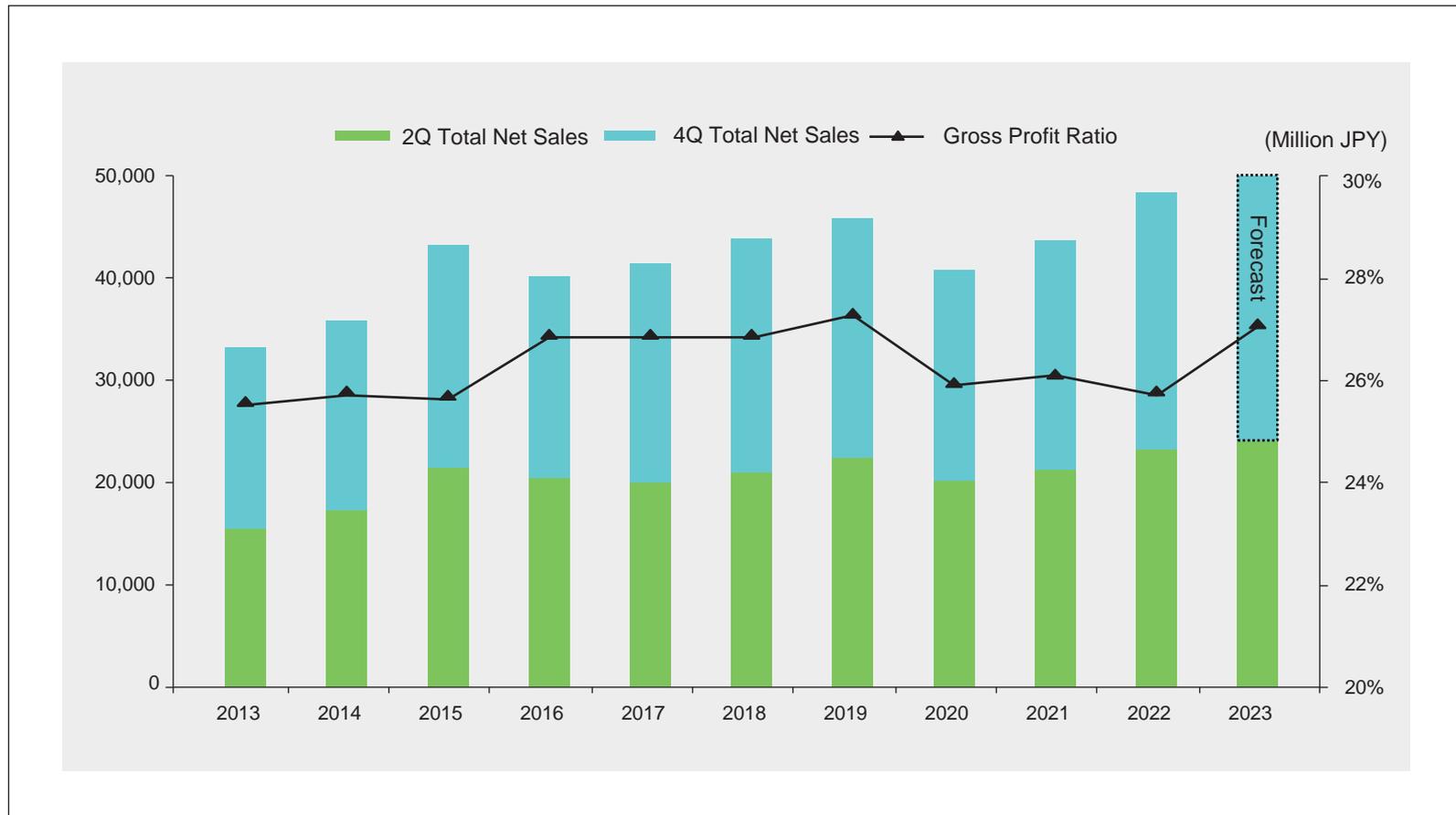


(Million JPY)

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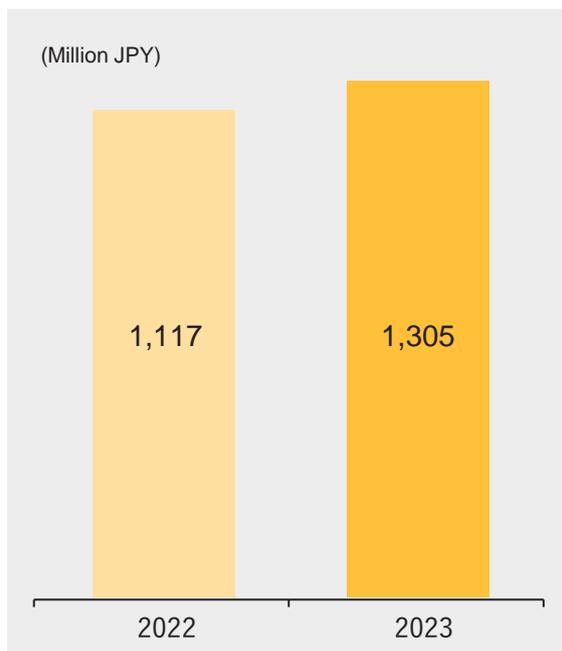
# FY2023 2Q Trends in Net Sales & Gross Profit Ratio

The gross profit ratio improved due to increased sales of high value-added products.



# FY2023 2Q Operating Profit

Operating profit: 1,305 million JPY    Y/Y: +188 million JPY (+16.8%)  
 Increased due to higher gross profit.



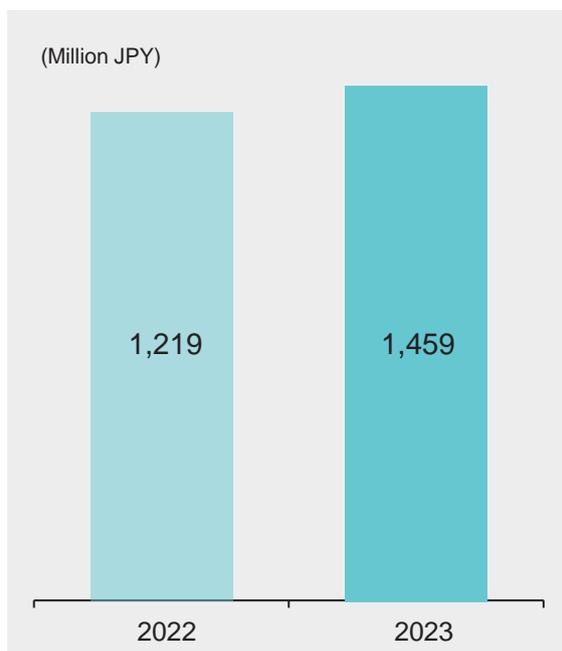
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Ordinary profit	1,219	1,459	+240	+19.6%
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# FY2023 2Q Ordinary Profit

Ordinary profit: 1,459 million JPY Y/Y: +240 million JPY (+19.6%)

Increased due to higher operating profit.



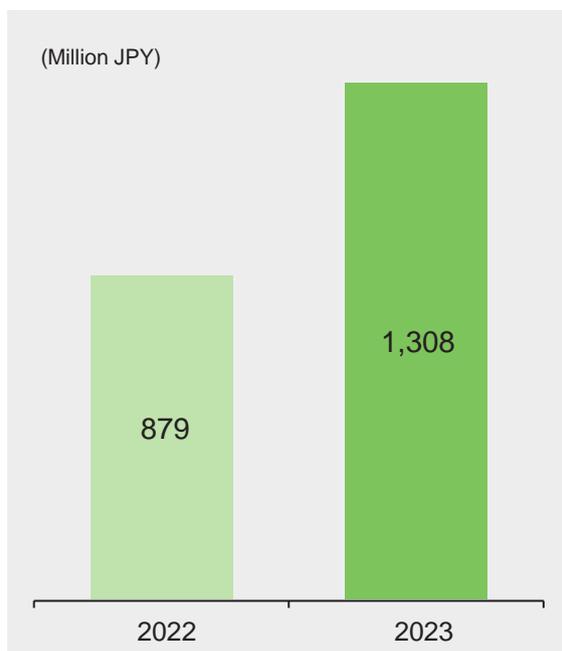
(Million JPY)

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Net income	879	1,308	+429	+48.7%
Net income ratio	3.8%	5.4%		

# FY2023 2Q Net Income

**Net Income: 1,308 million JPY Y/Y: +429 million JPY (+48.7%)**

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



(Million JPY)

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Gross profit	6,113	6,541	+428	+7.0%
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# FY2023 2Q Consolidated Balance Sheet

(Million JPY)

	2022 4Q	2023 2Q
<b>Assets</b>		
Current assets	30,481	29,157 (- 1,324)
Fixed assets	19,790	19,388 (- 402)
<b>Total assets</b>	<b>50,271</b>	<b>48,546</b> (- 1,725)

	2022 4Q	2023 2Q
<b>Liabilities</b>		
Current liabilities	9,309	7,393 (- 1,916)
Fixed liabilities	4,278	4,145 (- 132)
<b>Total liabilities</b>	<b>13,587</b>	<b>11,539</b> (- 2,048)
<b>Net assets</b>		
Shareholders' equity	31,860	32,733 (+873)
Accumulated other comprehensive income	4,768	4,241 (- 527)
Share acquisition rights	55	32 (- 23)
<b>Total net assets</b>	<b>36,684</b>	<b>37,007</b> (+323)
<b>Total liabilities and net assets</b>	<b>50,271</b>	<b>48,546</b> (- 1,725)

Equity ratio 76.2% (FY2022 4Q 72.9%)

# FY2023 2Q Consolidated Cash Flow Statement

(Million JPY)

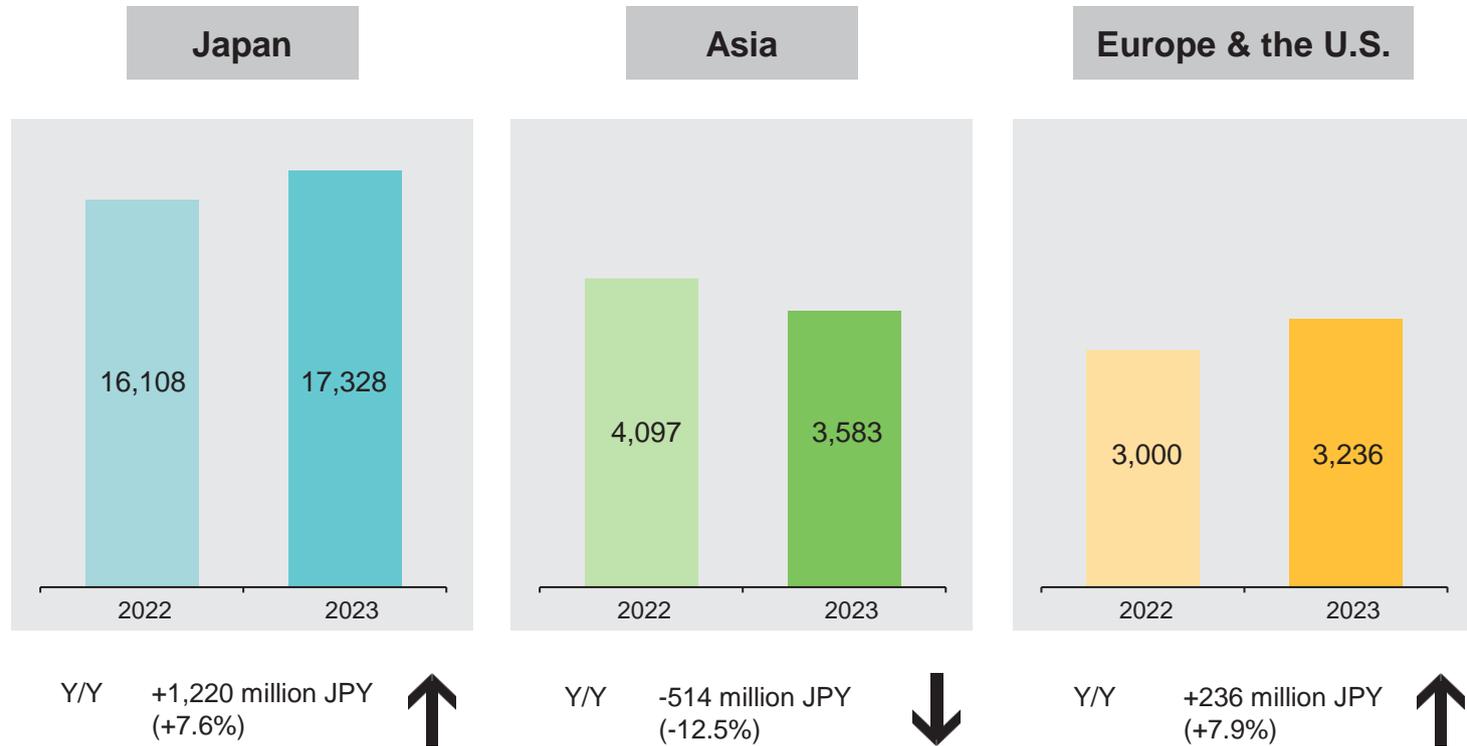
	2022 2Q	2023 2Q
Cash and cash equivalents at beginning of period	11,020	10,396
Cash flows from operating activities	161	1,160
Cash flows from investing activities	(204)	112
Cash flows from financing activities	(1,187)	(709)
Effect of exchange rate change on cash and cash equivalents	215	(199)
Net increase (decrease) in cash and cash equivalents	(1,015)	363
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	10,005	10,759

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# FY2023.11 2Q Business Overview

# FY2023 2Q Net Sales by Region

(Million JPY)



# FY2023 2Q Net Sales for Apparel Business

Net sales: 11,231 million JPY Y/Y: +663 million JPY (+6.3%)

Sales of accessories for athletic shoes were strong.

Demand remained stagnant and inventories continued to pile up as consumption dropped off, especially for products sold in the European and U.S. markets.



## Japan

- Decrease in accessories for medical wear sold in Europe and the U.S.
- Increase in accessories for working wear, athletic shoes, and bags

## Asia

- Increase in accessories for baby wear in China and Hong Kong
- Increase in accessories for athletic shoes and working-wear-related products 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.

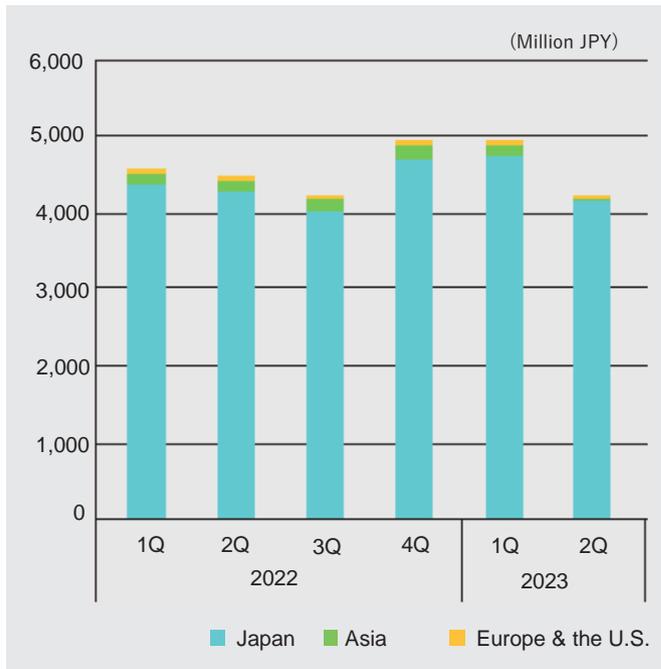
- Decrease in accessories for casual wear
- Increase in accessories for leisure products

# FY2023 2Q Net Sales for Product Business

Net sales: 9,313 million JPY Y/Y: +332 million JPY (+3.7%)

Demand remained steady for products sold in Japan.

Sales were also robust for kitchen appliance rentals as well as medical device-related and other high-value-added 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

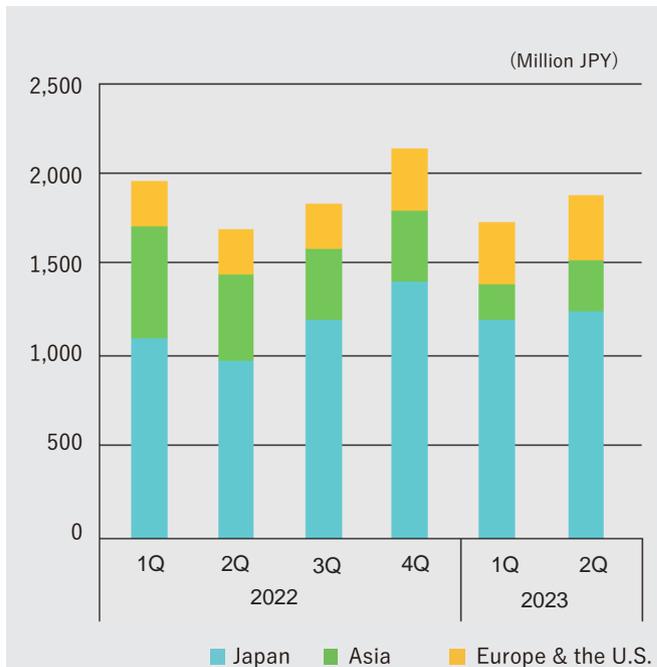
- On a par with last year

# FY2023 2Q Net Sales for Transportation Business

Net sales: 3,603 million JPY Y/Y: -53 million JPY (-1.5%)

Automotive production was still below the pre-pandemic level, but the impact of the semiconductor shortage lessened.

In China, however, sales declined due to the withdrawal from unprofitable businesses.



## 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

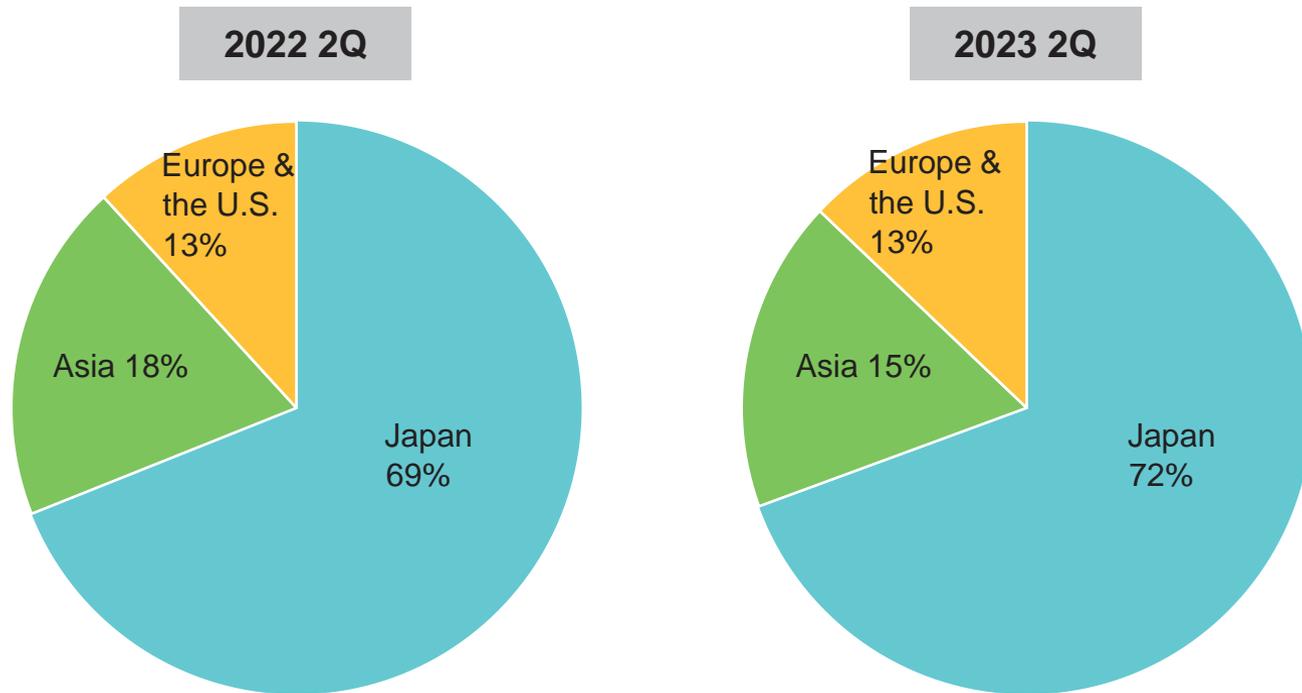
# FY2023 2Q Net Sales by Region (Quarterly)

(Million JPY)

FY2023						
	1Q	2Q	First-half total	Composition	Increase/Decrease	Y/Y
Japan	8,502	8,826	17,328	71.8%	+1,220	+7.6%
Asia	1,719	1,864	3,583	14.8%	-514	-12.5%
Europe & the U.S.	1,582	1,654	3,236	13.4%	+236	+7.9%
<b>Total</b>	<b>11,804</b>	<b>12,344</b>	<b>24,148</b>	<b>100.0%</b>	<b>+941</b>	<b>+4.1%</b>

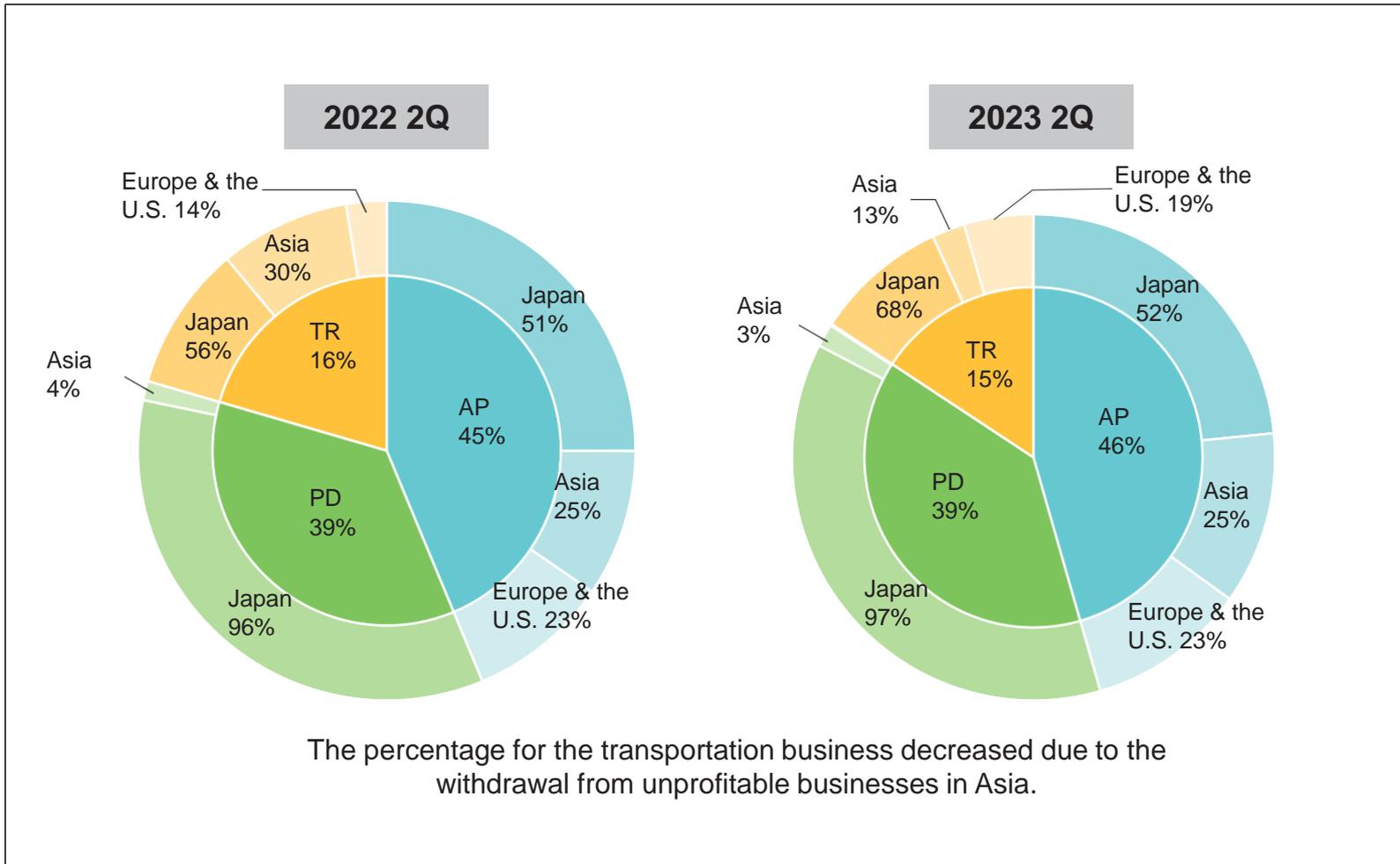
FY2022									
	1Q	2Q	First-half total	3Q	4Q	Full year	Composition	Increase/Decrease	Y/Y
Japan	7,912	8,196	16,108	8,031	9,377	33,516	69.1%	+3,287	+10.9%
Asia	2,212	1,885	4,097	2,180	2,063	8,340	17.2%	+286	+3.6%
Europe & the U.S.	1,436	1,564	3,000	1,755	1,866	6,621	13.7%	+1,268	+23.7%
<b>Total</b>	<b>11,561</b>	<b>11,646</b>	<b>23,207</b>	<b>11,965</b>	<b>13,306</b>	<b>48,478</b>	<b>100.0%</b>	<b>+4,842</b>	<b>+11.1%</b>

# FY2023 2Q Sales Composition by Region



The percentage for Asia, where we mainly operate transportation and apparel businesses targeting the European and U.S. markets, declined. The Japanese market recovered.

# FY2023 2Q Sales Composition by Region & Business



## FY2023 2Q Forecast & Progress

Made steady progress due to recovery in domestic demand. Sluggish demand, especially in Europe and the U.S., remains a cause for concern in the second fiscal half.

	FY2023 2Q	FY2023 Full-Year Forecast	Progress
Net sales	24,148	50,000	48.3%
Operating profit	1,305	2,300	56.7%
Operating profit ratio	5.4%	4.6%	
Ordinary profit	1,459	2,450	59.6%
Ordinary profit ratio	6.0%	4.9%	
Net income	1,308	1,800	72.7%
Net income ratio	5.4%	3.6%	

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## **Business Topics**

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# “Rideeco” Environmental Initiative

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

In May 2023, Rideeco was featured in the special Coral Reef Show Window exhibit at the Kaiyukan Aquarium in the city of Osaka’s Minato Ward. The exhibit showcased fashion items made from recycled marine plastics all displayed in an emptied aquarium tank.



## Group Company **MORITO DANANG** (Apparel, Product, and Transportation Businesses)

The company was established in 2010 in Da Nang, Vietnam as a manufacturing arm of the Morito Group. It has factories in Vietnam and other Southeast Asian countries to meet the needs of various manufacturers seeking local procurement.

It is expanding sales and production as local procurement needs have increased in recent years due to COVID-19, etc.



## Group Company **MORITO DANANG** (Apparel, Product, and Transportation Businesses)

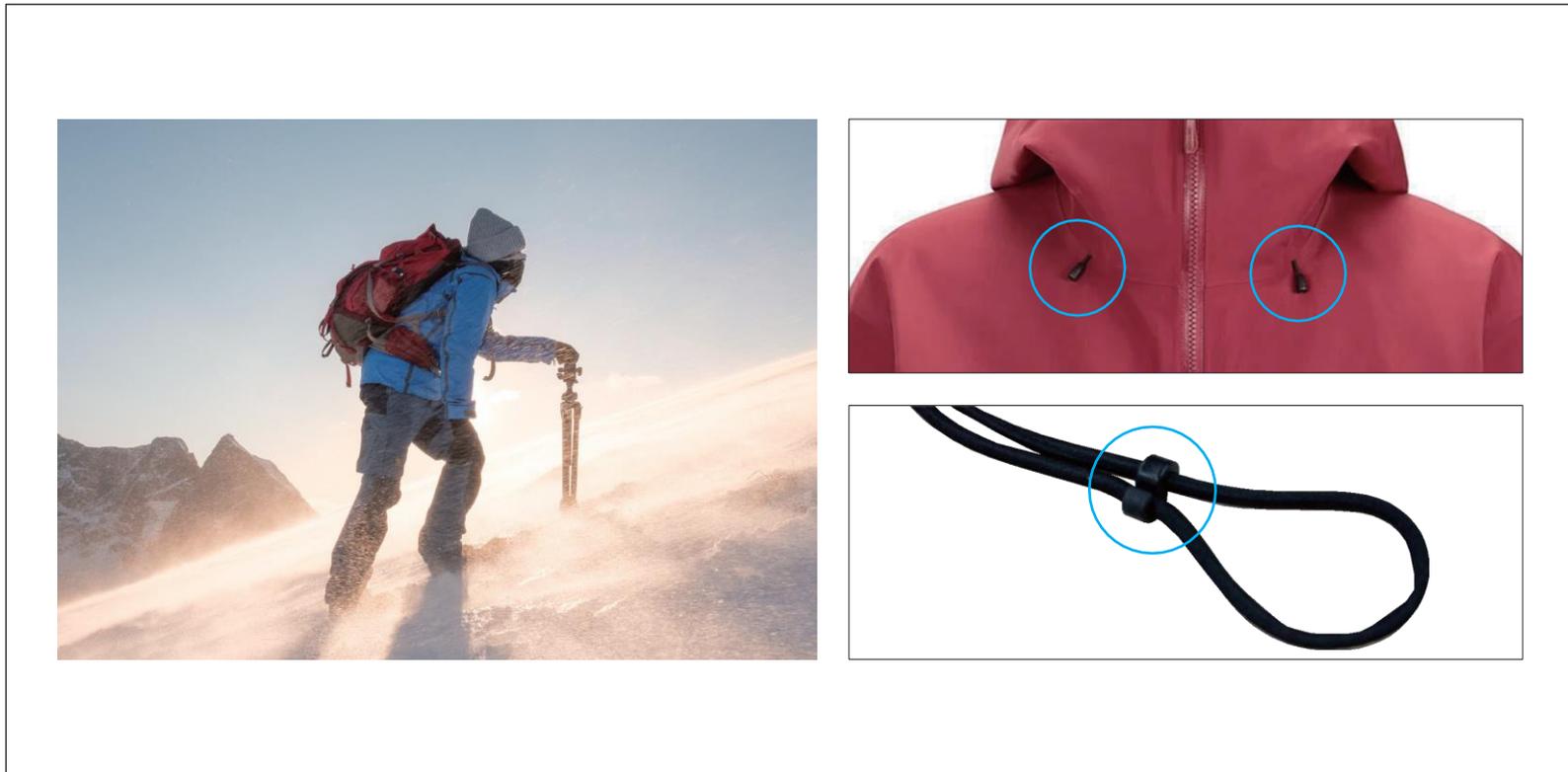
Equipped with manufacturing facilities centering on sewing, the company has seen growing sales of athletic shoes, medical uniforms, sanitary hats used in food, pharmaceutical, and precision machinery factories, etc.

The company also invested in equipment to expand the scale of production.



## Strong Sales of Outdoor Product Materials with Excellent Functionality (Apparel Business)

Sales of materials for outdoor brands, which focus on materials with superior functionality, are strong. In the first half of 2023, a number of our lightweight and durable materials were adopted by global outdoor brands.



# Strategies to Increase Brand Awareness



A segment sponsored by Morito with advertisements is aired on “Saturday Junction,” a radio program jointly produced and broadcast by three FM stations in Kyoto, Osaka, and Kobe.



We continue to provide information to individual investors via IR seminars and more.

# (FYI) Media Coverage

- The interview with the president was published in *The Worldfolio* and *Newsweek* (international edition).

<https://www.theworldfolio.com/interviews/the-small-products-that-make-world-of-difference/5649/>



- Articles about the joint event with Kaiyukan were published on Yahoo! News and NHK News Web.

<https://www3.nhk.or.jp/kansai-news/20230512/2000073625.html>

<https://news.yahoo.co.jp/articles/dcaa32bb2cccdcef50b6bc8746c37edd7bdbf36d>

- The Morito Group's initiative was featured in a booklet for business operators outlining the results of Osaka Prefecture's FY2022 Seeds of Environmental and Energy Technology Survey and Awareness-Raising Project.

[https://www.pref.osaka.lg.jp/attach/44690/00445984/handbook\\_gaiyo.pdf](https://www.pref.osaka.lg.jp/attach/44690/00445984/handbook_gaiyo.pdf)

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## Shareholder Returns

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# Basic Dividend Policy

The basic policy was revised in FY2023.

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 FY2023)

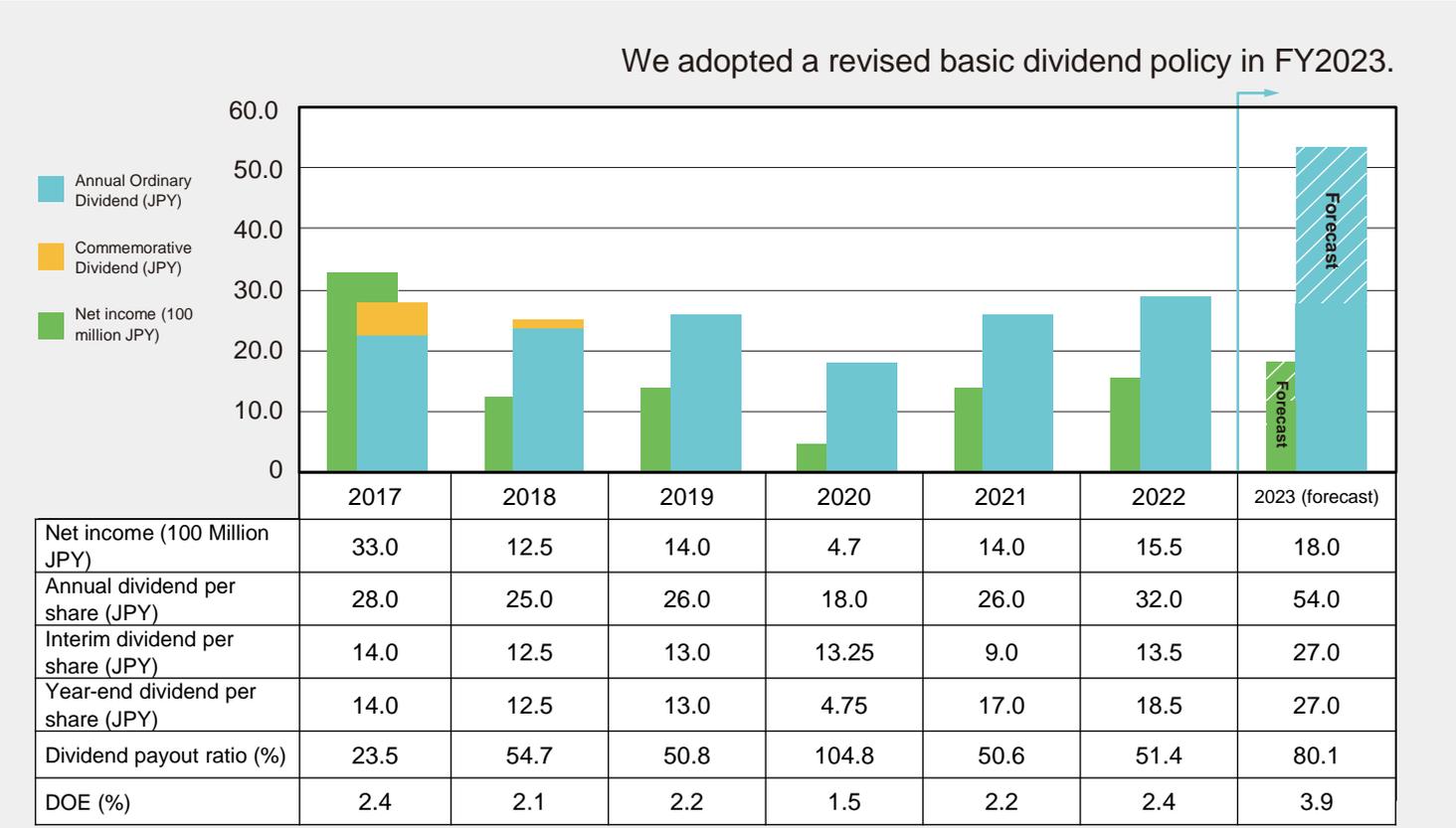
Realize stable and continuous dividend payments

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

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

\* 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



# Disclaimer

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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