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MORITO



Consolidated Financial Results for the Six Months of the Fiscal Year Ending November 30, 2023 [Japanese GAAP]

July 13, 2023

Company name: MORITO CO., LTD. Stock exchange listing: Tokyo Stock Exchange
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Management Division

Scheduled date of filing quarterly securities report: July 14, 2023 Scheduled date of commencing dividend payments: August 8, 2023

Availability of supplementary briefing material on quarterly financial results : Available

Schedule of quarterly financial results briefing session : Yes (for securities analysts and institutional investors)

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

1. Consolidated Financial Results for the Six Months of the Fiscal Year Ending November 30, 2023

(December 1, 2022 to May 31, 2023)

(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	%
Six months ended May 31, 2023	24,148	4.1	1,305	16.8	1,459	19.6	1,308	48.7
Six months ended May 31, 2022	23,207	9.3	1,117	44.1	1,219	37.8	879	64.9

(Note) Comprehensive income: Six months ended May 31, 2023 781 million yen[(50.5) %] Six months ended May 31, 2022 1,577 million yen[12.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended May 31, 2023	48.93	48.85
Six months ended May 31, 2022	32.51	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Six months ended May 31, 2023	48,546	37,007	76.2
FY2022	50,271	36,684	72.9

(Reference) Equity: Six months ended May 31, 2023 36,975 million yen FY2022 36,628 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	—	13.50	—	18.50	32.00
FY2023	—	27.00	—	—	—
FY2023 (Forecast)	—	—	—	27.00	54.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending November 30, 2023

(December 1, 2022 to November 30, 2023)

(% 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	50,000	3.1	2,300	8.6	2,450	4.6	1,800	7.5	67.40

(Note) Revisions 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 : Yes
- 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):	May 31, 2023:	30,000,000	November 30, 2022:	30,000,000
2) Total number of treasury shares at the end of the period:	May 31, 2023:	3,212,300	November 30, 2022:	3,295,500
3) Average number of shares during the period:	For the six months of the fiscal year ending November 30, 2023:	26,746,214	For the six months of the fiscal year ended November 30, 2022:	27,064,114

- * 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

The operating environment during the six months of the fiscal year ending November 30, 2023 (December 1, 2022, to May 31, 2023) remained on a recovery track due to the effects of various measures for the “living with COVID-19” policy. However, the outlook for the future remains uncertain due to soaring raw material costs triggered by the situation in Ukraine and other factors, accelerating inflation across the globe, the possibility of a downturn in overseas economies (mainly Europe and the U.S.), and currency fluctuations.

Working against this backdrop, the Morito Group (the “Group”), which is mainly engaged in the apparel, product, and transportation businesses, faced difficult conditions, including soaring raw material prices for its mainstay products, production cutbacks by automakers due to semiconductor shortages, and other factors, which all kept profits low, as well as stagnant demand caused by slowing consumption in Europe, the U.S., and China. On the other hand, the Group enjoyed favorable sales of accessories and products with superior functionality, including athletic shoes, medical-device-related products, and outdoor products, which are unaffected by trends. Under its “Rideco” 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. The Group also enjoyed higher operating profit thanks to the improved gross profit ratio due to increased sales of high-value-added products and the enhanced efficiency of logistics operations.

As a result, for the six months of the fiscal year under review, net sales increased 4.1% year on year to 24,148 million yen. Operating profit was up 16.8% to 1,305 million yen, ordinary profit grew 19.6% to 1,459 million yen, and profit attributable to owners of the parent increased 48.7% to 1,308 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 six months of the fiscal year under review are as follows.

	1Q		2Q	
USD	141.39	(113.71)	132.43	(116.34)
EUR	144.26	(130.04)	142.17	(130.40)
CNY	19.85	(17.78)	19.35	(18.31)
HKD	18.07	(14.60)	16.89	(14.90)
TWD	4.51	(4.09)	4.36	(4.16)
VND	0.0058	(0.0050)	0.0056	(0.0051)
THB	3.89	(3.41)	3.91	(3.52)
MXN	7.19	(5.48)	7.11	(5.67)

(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 increases in sales of accessories for working wear and athletic shoes as well as for bags although sales of medical wear accessories for the European and the U.S. markets declined.

The Product Division enjoyed increases in sales of medical-device-related products, products for one-coin shops (like 100-yen stores), and snowboarding and outdoor products, as well as higher revenues for the kitchen appliance rental, sales, and cleaning business.

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

As a result, net sales grew 7.6% year on year to total 17,328 million yen, and segment profit rose 28.6% year on year to reach 1,112 million yen.

Asia

The Apparel Division enjoyed growing sales of baby wear accessories in China and Hong Kong as well as athletic shoe accessories and working-wear-related products in Vietnam although sales of casual wear and working wear accessories for the European and U.S. markets declined in China and Hong Kong.

In the Transportation Division, sales of automotive interior components to Japanese automotive manufacturers decreased in China due to the semiconductor shortage and China's zero-COVID policy.

As a result, net sales decreased 12.5% year on year to total 3,583 million yen while segment profit rose 19.1% year on year to total 374 million yen.

Europe and the U.S.

In the Apparel Division, sales of accessories related to casual wear declined while sales of accessories for leisure products increased.

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

As a result, net sales increased 7.9% year on year to total 3,236 million yen while segment loss came to 31 million yen (segment profit for the same period in the previous fiscal year was 85 million yen).

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

The consolidated financial forecast for the fiscal year ending November 30, 2023, remains unchanged from what was announced on January 13, 2023. In the event that the situation in Ukraine is expected to affect the Group's business performance, information about such an impact will be disclosed as soon as it becomes evident.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of November 30, 2022	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	10,399,699	10,763,282
Notes and accounts receivable - trade	9,255,694	8,111,358
Electronically recorded monetary claims - operating	2,847,664	3,071,347
Inventories	6,953,716	6,524,967
Other	1,076,907	733,950
Allowance for doubtful accounts	(52,481)	(47,014)
Total current assets	30,481,201	29,157,892
Non-current assets		
Property, plant and equipment		
Land	4,547,309	4,541,110
Other, net	5,619,621	5,204,844
Total property, plant and equipment	10,166,930	9,745,955
Intangible assets		
Goodwill	2,712,342	2,396,984
Other	1,154,268	1,032,288
Total intangible assets	3,866,611	3,429,273
Investments and other assets		
Investment securities	4,465,618	4,857,981
Retirement benefit asset	286,915	290,200
Other	1,150,405	1,197,593
Allowance for doubtful accounts	(145,760)	(132,536)
Total investments and other assets	5,757,179	6,213,239
Total non-current assets	19,790,721	19,388,467
Total assets	50,271,922	48,546,360
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,684,932	3,166,773
Electronically recorded obligations - operating	940,625	1,030,947
Short-term borrowings	50,000	50,000
Current portion of long-term borrowings	280,008	280,008
Income taxes payable	577,794	587,952
Provision for bonuses	393,205	341,120
Provision for bonuses for directors (and other officers)	145,842	75,926
Other	2,237,096	1,860,750
Total current liabilities	9,309,505	7,393,479
Non-current liabilities		
Long-term borrowings	1,423,294	1,283,290
Provision for share awards	37,448	51,675
Provision for retirement benefits for directors (and other officers)	45,558	45,958
Provision for share awards for directors (and other officers)	88,468	94,481
Provision for environmental measures	25,968	23,947
Retirement benefit liability	862,554	864,970
Other	1,794,765	1,781,277
Total non-current liabilities	4,278,056	4,145,600
Total liabilities	13,587,562	11,539,080

(Thousands of yen)

	As of November 30, 2022	As of May 31, 2023
Net assets		
Shareholders' equity		
Share capital	3,532,492	3,532,492
Capital surplus	2,962,803	3,021,159
Retained earnings	27,539,047	28,343,825
Treasury shares	(2,174,195)	(2,163,690)
Total shareholders' equity	31,860,146	32,733,785
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,274,715	1,588,806
Deferred gains or losses on hedges	(15,199)	20,091
Revaluation reserve for land	442,187	442,187
Foreign currency translation adjustment	3,023,530	2,154,755
Remeasurements of defined benefit plans	43,380	35,376
Total accumulated other comprehensive income	4,768,615	4,241,217
Share acquisition rights	55,597	32,277
Non-controlling interests	—	—
Total net assets	36,684,360	37,007,279
Total liabilities and net assets	50,271,922	48,546,360

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
The six-month period

	(Thousands of yen)	
	For the six months ended May 31, 2022	For the six months ended May 31, 2023
Net sales	23,207,081	24,148,895
Cost of sales	17,093,342	17,607,103
Gross profit	6,113,739	6,541,792
Selling, general and administrative expenses	4,995,766	5,236,344
Operating profit	1,117,973	1,305,447
Non-operating income		
Interest income	5,158	8,530
Dividend income	30,569	34,095
Gain on redemption of investment securities	—	17,959
Rental income from real estate	38,524	36,897
Foreign exchange gains	—	28,851
Share of profit of entities accounted for using equity method	47,418	30,896
Subsidies for employment adjustment	3,413	—
Subsidy income	18,082	2,459
Other	12,192	64,774
Total non-operating income	155,361	224,464
Non-operating expenses		
Interest expenses	5,649	4,619
Loss on derivatives	—	37,435
Foreign exchange losses	594	—
Other	47,213	28,776
Total non-operating expenses	53,458	70,831
Ordinary profit	1,219,876	1,459,081
Extraordinary income		
Gain on sale of non-current assets	123,161	10,650
Gain on sales of investment securities	—	195,868
Gain on reversal of share acquisition rights	525	787
Insurance claim income	70,016	—
Gain on liquidation of subsidiaries	—	130,102
Total extraordinary income	193,703	337,409
Extraordinary losses		
Loss on sale of non-current assets	569	—
Loss on retirement of non-current assets	648	3,845
Loss on valuation of golf club membership	—	1,690
Claim settlement money	48,648	—
Total extraordinary losses	49,866	5,536
Profit before income taxes	1,363,712	1,790,953
Income taxes - current	590,479	547,416
Income taxes - deferred	(106,710)	(65,029)
Total income taxes	483,768	482,387
Profit	879,944	1,308,566
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	879,944	1,308,566

Quarterly Consolidated Statements of Comprehensive Income

The six-month period

(Thousands of yen)

	For the six months ended May 31, 2022	For the six months ended May 31, 2023
Profit	879,944	1,308,566
Other comprehensive income		
Valuation difference on available-for-sale securities	(193,185)	314,090
Deferred gains or losses on hedges	(9,819)	35,289
Foreign currency translation adjustment	894,073	(868,775)
Remeasurements of defined benefit plans, net of tax	6,812	(8,003)
Share of other comprehensive income of entities accounted for using equity method	1	0
Total other comprehensive income	697,882	(527,398)
Comprehensive income	1,577,826	781,168
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,577,826	781,168
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

	(Thousands of yen)	
	For the six months ended May 31, 2022	For the six months ended May 31, 2023
Cash flows from operating activities		
Profit before income taxes	1,363,712	1,790,953
Depreciation	503,354	480,709
Amortization of goodwill	123,620	138,140
Increase (decrease) in provision for bonuses	(10,650)	(42,716)
Decrease (increase) in retirement benefit asset	22,688	(11,096)
Increase (decrease) in retirement benefit liability	(4,554)	(1,309)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	4,250	400
Increase (decrease) in provision for share awards	6,747	14,227
Increase (decrease) in provision for share awards for directors (and other officers)	719	6,012
Increase (decrease) in allowance for doubtful accounts	24,610	(12,394)
Interest and dividend income	(35,728)	(42,625)
Interest expenses	5,649	4,619
Subsidies for employment adjustment	(3,413)	—
Subsidy income	(18,082)	(2,459)
Loss (gain) on liquidation of subsidiaries	—	(130,102)
Share of loss (profit) of entities accounted for using equity method	(47,418)	(30,896)
Gain on reversal of share acquisition rights	(525)	(787)
Loss (gain) on sale of non-current assets	(122,591)	(10,650)
Loss (gain) on sale of investment securities	—	(195,868)
Loss (gain) on redemption of investment securities	—	(17,959)
Loss on valuation of golf club membership	—	1,690
Loss on retirement of non-current assets	648	3,845
Decrease (increase) in trade receivables	(32,248)	722,377
Decrease (increase) in inventories	(939,221)	212,824
Increase (decrease) in trade payables	(42,783)	(1,276,533)
Other, net	(257,214)	51,389
Subtotal	541,569	1,651,791
Interest and dividends received	35,728	42,625
Interest paid	(5,689)	(4,756)
Proceeds from subsidies for employment adjustment	17,708	—
Subsidies received	18,082	2,459
Income taxes paid	(445,699)	(531,611)
Net cash provided by (used in) operating activities	161,699	1,160,507
Cash flows from investing activities		
Payments into time deposits	(82,325)	—
Proceeds from withdrawal of time deposits	87,123	4,798
Purchase of investment securities	(11,321)	(6,726)
Proceeds from sale of investment securities	—	221,831
Proceeds from redemption of investment securities	—	59,252
Purchase of property, plant and equipment	(352,858)	(147,339)
Proceeds from sale of property, plant and equipment	211,863	12,617
Purchase of intangible assets	(55,454)	(26,231)
Proceeds from collection of loans receivable	3,000	3,000
Purchase of membership	—	(2,736)
Other, net	(4,035)	(6,124)
Net cash provided by (used in) investing activities	(204,009)	112,341

(Thousands of yen)

	For the six months ended May 31, 2022	For the six months ended May 31, 2023
Cash flows from financing activities		
Repayments of lease liabilities	(110,744)	(111,791)
Repayments of long-term borrowings	(254,616)	(140,004)
Purchase of treasury shares	(349,117)	(136,725)
Proceeds from exercise of employee share options	—	183,053
Dividends paid	(473,272)	(503,789)
Net cash provided by (used in) financing activities	(1,187,750)	(709,255)
Effect of exchange rate change on cash and cash equivalents	215,028	(199,838)
Net increase (decrease) in cash and cash equivalents	(1,015,031)	363,754
Cash and cash equivalents at beginning of period	11,020,111	10,396,188
Cash and cash equivalents at end of period	10,005,079	10,759,943

(4) 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.

(Changes in Accounting Policies)

(Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Group has adopted the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) effective as of the beginning of the first quarter of the fiscal year under review. In accordance with the transitional treatment set forth in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Group has decided to apply the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively. This has no effect on the quarterly consolidated financial statements.

(Segment Information, Etc.)

Segment information

I For the six months of the fiscal year ended November 30, 2022

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	5,434,191	2,665,632	2,468,123	10,567,947	—	10,567,947
Product	8,603,897	352,043	25,692	8,981,633	—	8,981,633
Transportation	2,070,761	1,079,910	506,829	3,657,501	—	3,657,501
Revenue from contracts with customers	16,108,850	4,097,585	3,000,645	23,207,081	—	23,207,081
Net sales to external customers	16,108,850	4,097,585	3,000,645	23,207,081	—	23,207,081
Intersegment sales or transfers	919,484	1,490,219	38,323	2,448,027	(2,448,027)	—
Total	17,028,335	5,587,805	3,038,968	25,655,109	(2,448,027)	23,207,081
Segment profit	864,814	314,388	85,439	1,264,642	(146,669)	1,117,973

(Note) 1 The adjustment of (146,669) thousand yen to segment profit includes corporate expenses of (101,425) thousand yen not allocated to the reportable segments, and other in the amount of (45,244) thousand yen.

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

II For the six months of the fiscal year ending 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	5,859,661	2,826,265	2,545,273	11,231,200	—	11,231,200
Product	9,023,921	278,108	11,937	9,313,968	—	9,313,968
Transportation	2,444,653	479,295	679,777	3,603,726	—	3,603,726
Revenue from contracts with customers	17,328,236	3,583,670	3,236,988	24,148,895	—	24,148,895
Net sales to external customers	17,328,236	3,583,670	3,236,988	24,148,895	—	24,148,895
Intersegment sales or transfers	930,569	2,225,763	48,606	3,204,939	(3,204,939)	—
Total	18,258,806	5,809,433	3,285,595	27,353,835	(3,204,939)	24,148,895
Segment profit (loss)	1,112,497	374,570	(31,612)	1,455,456	(150,008)	1,305,447

(Note) 1 The adjustment of (150,008) thousand yen to segment profit (loss) includes corporate expenses of (113,987) thousand yen not allocated to the reportable segments, and other in the amount of (36,021) thousand yen.

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