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MORITO



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

July 12, 2024

Company name: MORITO CO., LTD. Stock exchange listing: Tokyo Stock Exchange
 Code number: 9837 URL: <https://www.morito.co.jp>
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 Scheduled date of filing quarterly securities report: July 16, 2024 Scheduled date of commencing dividend payments: August 8, 2024
 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, 2024 (December 1, 2023 to May 31, 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	%
Six months ended May 31, 2024	23,749	(1.7)	1,483	13.7	1,565	7.3	1,393	6.5
Six months ended May 31, 2023	24,148	4.1	1,305	16.8	1,459	19.6	1,308	48.7

(Note) Comprehensive income: Six months ended May 31, 2024 2,121 million yen[171.6%] Six months ended May 31, 2023 781 million yen[(50.5)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended May 31, 2024	52.42	-
Six months ended May 31, 2023	48.93	48.85

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Six months ended May 31, 2024	51,832	39,626	76.4
FY2023	51,429	38,457	74.7

(Reference) Equity: Six months ended May 31, 2024 39,626 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	-	29.00	-	-	-
FY2024(Forecast)	-	-	-	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):	May 31, 2024:	30,000,000	November 30, 2023:	30,000,000
2) Total number of treasury shares at the end of the period:	May 31, 2024:	3,459,814	November 30, 2023:	3,404,514
3) Average number of shares during the period:	For the six months of the fiscal year ending November 30, 2024:	26,579,700	For the six months of the fiscal year ended November 30, 2023:	26,746,214

* 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 six months of the fiscal year ending November 30, 2024 (December 1, 2023 to May 31, 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 and rising tensions in the Middle East, 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 production cutbacks by apparel manufacturers due to a warm winter in Japan and the end of the post-pandemic surge in demand, as well as production stoppages by some automakers. 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 six months of the fiscal year under review, net sales decreased 1.7% year on year to 23,749 million yen. Operating profit was up 13.7% to 1,483 million yen, ordinary profit grew 7.3% to 1,565 million yen, and profit attributable to owners of the parent increased 6.5% to 1,393 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	147.86	(141.39)	148.62	(132.43)
EUR	159.05	(144.26)	161.32	(142.17)
CNY	20.44	(19.85)	20.63	(19.35)
HKD	18.92	(18.07)	19.00	(16.89)
VND	0.0061	(0.0058)	0.0060	(0.0056)
THB	4.15	(3.89)	4.17	(3.91)
MXN	8.43	(7.19)	8.75	(7.11)

(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 medical wear accessories for the European and U.S. markets, as well as sales of bag accessories and accessories for high-end outdoor brands, 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 medical device- and snowboard-related products decreased.

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

As a result, net sales decreased 6.0% year on year to total 16,285 million yen, and segment profit jumped 0.3% year on year to reach 1,115 million yen.

Asia

The Apparel Division enjoyed growing sales of 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 13.1% year on year to total 4,054 million yen while segment profit rose 22.6% year on year to total 459 million yen.

Europe and the U.S.

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

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

As a result, net sales grew 5.3% year on year to total 3,409 million yen while segment profit came to 37 million yen (segment loss for the same period in the previous fiscal year was 31 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 May 31, 2024
Assets		
Current assets		
Cash and deposits	13,013,252	14,576,245
Notes and accounts receivable - trade	8,623,474	7,903,320
Electronically recorded monetary claims - operating	2,440,431	2,097,745
Inventories	6,358,412	5,782,818
Other	827,277	765,990
Allowance for doubtful accounts	(113,686)	(43,162)
Total current assets	31,149,163	31,082,957
Non-current assets		
Property, plant and equipment		
Land	4,660,948	4,661,949
Other, net	5,382,924	5,334,470
Total property, plant and equipment	10,043,872	9,996,420
Intangible assets		
Goodwill	2,495,204	2,374,015
Other	1,067,076	1,005,837
Total intangible assets	3,562,280	3,379,853
Investments and other assets		
Investment securities	5,422,020	6,152,875
Retirement benefit asset	314,646	322,227
Other	1,005,054	1,027,529
Allowance for doubtful accounts	(67,688)	(128,980)
Total investments and other assets	6,674,033	7,373,652
Total non-current assets	20,280,186	20,749,926
Total assets	51,429,350	51,832,884
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,658,697	3,298,278
Electronically recorded obligations - operating	1,082,704	1,062,753
Short-term borrowings	50,000	50,000
Current portion of long-term borrowings	256,674	280,008
Income taxes payable	611,892	720,942
Provision for bonuses	473,097	382,799
Provision for bonuses for directors (and other officers)	146,836	69,313
Other	2,309,311	1,892,141
Total current liabilities	8,589,213	7,756,236
Non-current liabilities		
Long-term borrowings	1,166,620	1,003,282
Provision for share awards	48,176	62,727
Provision for retirement benefits for directors (and other officers)	54,208	60,975
Provision for share awards for directors (and other officers)	100,494	106,507
Provision for environmental measures	26,823	27,150
Retirement benefit liability	864,593	867,366
Other	2,121,999	2,322,636
Total non-current liabilities	4,382,915	4,450,645
Total liabilities	12,972,128	12,206,882

(Thousands of yen)

	As of November 30, 2023	As of May 31, 2024
Net assets		
Shareholders' equity		
Share capital	3,532,492	3,532,492
Capital surplus	3,040,197	3,075,137
Retained earnings	28,538,155	29,172,008
Treasury shares	(2,437,142)	(2,641,996)
Total shareholders' equity	32,673,702	33,137,641
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,053,469	2,636,025
Deferred gains or losses on hedges	13,287	23,779
Revaluation reserve for land	419,773	419,773
Foreign currency translation adjustment	3,223,586	3,368,059
Remeasurements of defined benefit plans	49,934	40,721
Total accumulated other comprehensive income	5,760,051	6,488,360
Share acquisition rights	23,467	-
Non-controlling interests	-	-
Total net assets	38,457,221	39,626,001
Total liabilities and net assets	51,429,350	51,832,884

(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, 2023	For the six months ended May 31, 2024
Net sales	24,148,895	23,749,540
Cost of sales	17,607,103	16,815,883
Gross profit	6,541,792	6,933,656
Selling, general and administrative expenses	5,236,344	5,449,742
Operating profit	1,305,447	1,483,913
Non-operating income		
Interest income	8,530	9,297
Dividend income	34,095	39,832
Gain on redemption of investment securities	17,959	-
Rental income from real estate	36,897	18,842
Foreign exchange gains	28,851	27,092
Share of profit of entities accounted for using equity method	30,896	8,205
Other	67,233	8,269
Total non-operating income	224,464	111,540
Non-operating expenses		
Interest expenses	4,619	7,953
Loss on derivatives	37,435	10,650
Other	28,776	11,142
Total non-operating expenses	70,831	29,746
Ordinary profit	1,459,081	1,565,707
Extraordinary income		
Gain on sale of non-current assets	10,650	100
Gain on sale of investment securities	195,868	515,464
Gain on reversal of share acquisition rights	787	4,252
Gain on liquidation of subsidiaries	130,102	-
Total extraordinary income	337,409	519,817
Extraordinary losses		
Loss on sale of non-current assets	-	1,842
Loss on retirement of non-current assets	3,845	3,227
Loss on valuation of golf club membership	1,690	-
Loss on termination of employment	-	13,952
Total extraordinary losses	5,536	19,022
Profit before income taxes	1,790,953	2,066,501
Income taxes - current	547,416	733,401
Income taxes - deferred	(65,029)	(60,191)
Total income taxes	482,387	673,210
Profit	1,308,566	1,393,291
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,308,566	1,393,291

Quarterly Consolidated Statements of Comprehensive Income

The six-month period

(Thousands of yen)

	For the six months ended May 31, 2023	For the six months ended May 31, 2024
Profit	1,308,566	1,393,291
Other comprehensive income		
Valuation difference on available-for-sale securities	314,090	582,555
Deferred gains or losses on hedges	35,289	10,495
Foreign currency translation adjustment	(868,775)	144,473
Remeasurements of defined benefit plans, net of tax	(8,003)	(9,212)
Share of other comprehensive income of entities accounted for using equity method	0	(2)
Total other comprehensive income	(527,398)	728,308
Comprehensive income	781,168	2,121,600
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	781,168	2,121,600
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

	(Thousands of yen)	
	For the six months ended May 31, 2023	For the six months ended May 31, 2024
Cash flows from operating activities		
Profit before income taxes	1,790,953	2,066,501
Depreciation	480,709	503,813
Amortization of goodwill	138,140	145,657
Increase (decrease) in provision for bonuses	(42,716)	(90,666)
Decrease (increase) in retirement benefit asset	(11,096)	(17,086)
Increase (decrease) in retirement benefit liability	(1,309)	(999)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	400	6,767
Increase (decrease) in provision for share awards	14,227	14,551
Increase (decrease) in provision for share awards for directors (and other officers)	6,012	6,012
Increase (decrease) in allowance for doubtful accounts	(12,394)	(10,673)
Interest and dividend income	(42,625)	(49,130)
Interest expenses	4,619	7,953
Share of loss (profit) of entities accounted for using equity method	(30,896)	(8,205)
Gain on reversal of share acquisition rights	(787)	(4,252)
Loss (gain) on sale of non-current assets	(10,650)	1,742
Loss (gain) on sale of investment securities	(195,868)	(515,464)
Loss (gain) on redemption of investment securities	(17,959)	-
Loss (gain) on liquidation of subsidiaries	(130,102)	-
Loss on valuation of golf club membership	1,690	-
Loss on retirement of non-current assets	3,845	3,227
Decrease (increase) in trade receivables	722,377	1,061,301
Decrease (increase) in inventories	212,824	634,410
Increase (decrease) in trade payables	(1,276,533)	(415,961)
Other, net	51,389	(430,751)
Subtotal	1,654,250	2,908,746
Interest and dividends received	42,625	49,147
Interest paid	(4,756)	(7,963)
Income taxes paid	(531,611)	(648,810)
Net cash provided by (used in) operating activities	1,160,507	2,301,120
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	4,798	4,798
Purchase of investment securities	(6,726)	(6,879)
Proceeds from sale of investment securities	221,831	618,824
Proceeds from redemption of investment securities	59,252	-
Purchase of property, plant and equipment	(147,339)	(222,054)
Proceeds from sale of property, plant and equipment	12,617	250
Purchase of intangible assets	(26,231)	(4,448)
Proceeds from collection of loans receivable	3,000	42,000
Purchase of membership	(2,736)	-
Other, net	(6,124)	(2,919)
Net cash provided by (used in) investing activities	112,341	429,570

(Thousands of yen)

	For the six months ended May 31, 2023	For the six months ended May 31, 2024
Cash flows from financing activities		
Repayments of lease liabilities	(111,791)	(130,515)
Repayments of long-term borrowings	(140,004)	(140,004)
Purchase of treasury shares	(136,725)	(346,086)
Proceeds from exercise of employee share options	183,053	156,958
Dividends paid	(503,789)	(759,439)
Net cash provided by (used in) financing activities	(709,255)	(1,219,086)
Effect of exchange rate change on cash and cash equivalents	(199,838)	51,303
Net increase (decrease) in cash and cash equivalents	363,754	1,562,907
Cash and cash equivalents at beginning of period	10,396,188	13,009,580
Cash and cash equivalents at end of period	10,759,943	14,572,488

(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.

(Segment Information, Etc.)

Segment information

I For the six 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	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.

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

Information on amounts of net sales and profit 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	5,680,237	3,181,017	2,585,271	11,446,526	-	11,446,526
Product	8,314,001	328,839	21,576	8,664,418	-	8,664,418
Transportation	2,291,483	544,604	802,507	3,638,595	-	3,638,595
Revenue from contracts with customers	16,285,722	4,054,461	3,409,355	23,749,540	-	23,749,540
Net sales to external customers	16,285,722	4,054,461	3,409,355	23,749,540	-	23,749,540
Intersegment sales or transfers	926,141	1,710,437	35,598	2,672,178	(2,672,178)	-
Total	17,211,864	5,764,899	3,444,954	26,421,718	(2,672,178)	23,749,540
Segment profit	1,115,885	459,340	37,238	1,612,464	(128,551)	1,483,913

(Note) 1 The adjustment of (128,551) thousand yen to segment profit includes corporate expenses of (123,985) thousand yen not allocated to the reportable segments, and other in the amount of (4,566) thousand yen.

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