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MORITO



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

October 11, 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 commencing dividend payments: _
 Availability of supplementary briefing material on financial results : Available
 Schedule of financial results briefing session : None scheduled

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

1. Consolidated Financial Results for the Nine Months of the Fiscal Year Ending November 30, 2024 (December 1, 2023 to August 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	%
Nine months ended August 31, 2024	35,625	0.2	2,153	23.0	2,285	14.7	1,919	11.0
Nine months ended August 31, 2023	35,551	1.1	1,750	10.3	1,993	14.0	1,729	39.2

(Note) Comprehensive income: Nine months ended August 31, 2024 3,700 million yen[45.8%] Nine months ended August 31, 2023 2,537 million yen[(16.4)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended August 31, 2024	72.33	-
Nine months ended August 31, 2023	64.70	64.55

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Nine months ended August 31, 2024	53,120	40,213	75.7
FY2023	51,429	38,457	74.7

(Reference) Equity: Nine months ended August 31, 2024 40,213 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) Significant changes in the scope of consolidation during the period : 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):	August 31, 2024:	30,000,000	November 30, 2023:	30,000,000
2) Total number of treasury shares at the end of the period:	August 31, 2024:	3,602,149	November 30, 2023:	3,404,514
3) Average number of shares during the period:	For the nine months of the fiscal year ending November 30, 2024:	26,538,122	For the nine months of the fiscal year ended November 30, 2023:	26,736,150

- * Review of the accompanying quarterly consolidated financial statements by a certified public accountant or auditing firm : Yes (arbitrary)
- * 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 "(3) Forecast of Consolidated Business Results and other Forward-looking Information" in "1. Overview of Business Results, Etc" on page 6.

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. Overview of Business Results, Etc.

(1) Overview of Business Results for the Period under Review

The nine months of the fiscal year ending November 30, 2024 (December 1, 2023, to August 31, 2024) saw the economy continue to grow at a moderate pace due to an increase in demand from inbound tourists and an improved earnings environment. On the down side, 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 and unstable 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 focused on profitability resulted in an improved gross profit ratio.

As a result, for the nine months of the fiscal year under review, net sales increased 0.2% year on year to 35,625 million yen. Operating profit was up 23.0% to 2,153 million yen, ordinary profit grew 14.7% to 2,285 million yen, and profit attributable to owners of the parent increased 11.0% to 1,919 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 nine months of the fiscal year under review are as follows.

	1Q		2Q		3Q	
USD	147.86	(141.39)	148.62	(132.43)	155.86	(137.49)
EUR	159.05	(144.26)	161.32	(142.17)	167.84	(149.58)
CNY	20.44	(19.85)	20.63	(19.35)	21.47	(19.56)
HKD	18.92	(18.07)	19.00	(16.89)	19.94	(17.54)
VND	0.0061	(0.0058)	0.0060	(0.0056)	0.0062	(0.0059)
THB	4.15	(3.89)	4.17	(3.91)	4.25	(3.99)
MXN	8.43	(7.19)	8.75	(7.11)	9.06	(7.79)

(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, and sales of bag accessories and accessories for high-end outdoor brands, as well as subsidiary material for apparel products sold at department stores, 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-, snowboard- and surfing-related products decreased.

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

As a result, net sales decreased 4.4% year on year to total 24,111 million yen, and segment profit dropped 0.6% year on year to reach 1,522 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.

The Product Division experienced an increase in sales of accessories for toys in Thailand.

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

As a result, net sales increased 16.9% year on year to total 6,223 million yen while segment profit rose 43.7% year on year to total 715 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, on top of growth in the sales of leather goods accessories in Mexico.

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

As a result, net sales grew 5.8% year on year to total 5,290 million yen while segment profit came to 132 million yen (segment loss for the same period in the previous fiscal year was 42 million yen).

(2) Overview of Financial Position for the Period under Review

Total assets for the fiscal year under review increased 1,690 million yen from the previous fiscal year-end to 53,120 million yen.

Current assets grew 298 million yen from the previous fiscal year-end to 31,448 million yen. This was mainly due to a decrease of 1,008 million yen in notes and accounts receivable - trade, a decrease of 275 million yen in inventories, an increase of 1,517 million yen in cash and deposits, and a decrease of 68 million yen in allowance for doubtful accounts.

Non-current assets were up 1,391 million yen from the previous fiscal year-end to 21,671 million yen. This was mainly due to a decrease of 71 million yen in buildings and structures included in other property, plant and equipment, an increase of 64 million yen in allowance for doubtful accounts (long-term), an increase of 1,332 million yen in investment securities, an increase of 108 million yen in right-of-use assets included in other property, plant and equipment, and an increase of 106 million yen in construction in progress included in other property, plant and equipment.

Current liabilities decreased 277 million yen from the previous fiscal year-end to 8,311 million yen. This was mainly due to an increase of 122 million yen in electronically recorded liabilities - operating, an increase of 99 million yen in deposits received included in other, a decrease of 349 million yen in accrued expenses included in other, and a decrease of 152 million yen in notes and accounts payable - trade.

Non-current liabilities increased 211 million yen from the previous fiscal year-end to 4,594 million yen. This was mainly due to a decrease of 233 million yen in long-term borrowings, and an increase of 374 million yen in deferred tax liabilities included in other.

Net assets increased 1,756 million yen from the previous fiscal year-end to 40,213 million yen.

The shareholders' equity ratio increased 1.0 percentage points to 75.7% from 74.7% in the previous fiscal year.

(3) 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 August 31, 2024
Assets		
Current assets		
Cash and deposits	13,013,252	14,530,580
Notes and accounts receivable - trade	8,623,474	7,614,997
Electronically recorded monetary claims - operating	2,440,431	2,421,212
Inventories	6,358,412	6,083,061
Other	827,277	843,220
Allowance for doubtful accounts	(113,686)	(44,947)
Total current assets	31,149,163	31,448,123
Non-current assets		
Property, plant and equipment		
Land	4,660,948	4,667,306
Other, net	5,382,924	5,489,782
Total property, plant and equipment	10,043,872	10,157,089
Intangible assets		
Goodwill	2,495,204	2,439,728
Other	1,067,076	1,083,246
Total intangible assets	3,562,280	3,522,974
Investments and other assets		
Investment securities	5,422,020	6,754,428
Retirement benefit asset	314,646	322,505
Other	1,005,054	1,047,574
Allowance for doubtful accounts	(67,688)	(132,599)
Total investments and other assets	6,674,033	7,991,909
Total non-current assets	20,280,186	21,671,974
Total assets	51,429,350	53,120,097
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,658,697	3,506,379
Electronically recorded obligations - operating	1,082,704	1,205,065
Short-term borrowings	50,000	50,000
Current portion of long-term borrowings	256,674	280,008
Income taxes payable	611,892	508,645
Provision for bonuses	473,097	562,066
Provision for bonuses for directors (and other officers)	146,836	107,654
Other	2,309,311	2,092,110
Total current liabilities	8,589,213	8,311,930
Non-current liabilities		
Long-term borrowings	1,166,620	933,280
Provision for share awards	48,176	59,381
Provision for retirement benefits for directors (and other officers)	54,208	65,901
Provision for share awards for directors (and other officers)	100,494	109,513
Provision for environmental measures	26,823	28,896
Retirement benefit liability	864,593	877,971
Other	2,121,999	2,519,771
Total non-current liabilities	4,382,915	4,594,716
Total liabilities	12,972,128	12,906,647

(Thousands of yen)

	As of November 30, 2023	As of August 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	28,913,212
Treasury shares	(2,437,142)	(2,848,407)
Total shareholders' equity	32,673,702	32,672,434
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,053,469	3,051,441
Deferred gains or losses on hedges	13,287	(7,286)
Revaluation reserve for land	419,773	419,773
Foreign currency translation adjustment	3,223,586	4,040,971
Remeasurements of defined benefit plans	49,934	36,114
Total accumulated other comprehensive income	5,760,051	7,541,015
Share acquisition rights	23,467	-
Non-controlling interests	-	-
Total net assets	38,457,221	40,213,450
Total liabilities and net assets	51,429,350	53,120,097

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

	(Thousands of yen)	
	For the nine months ended August 31, 2023	For the nine months ended August 31, 2024
Net sales	35,551,815	35,625,412
Cost of sales	25,944,746	25,221,741
Gross profit	9,607,069	10,403,671
Selling, general and administrative expenses	7,856,431	8,249,965
Operating profit	1,750,637	2,153,705
Non-operating income		
Interest income	13,288	13,316
Dividend income	58,046	69,838
Gain on redemption of investment securities	28,809	-
Rental income from real estate	55,128	28,202
Foreign exchange gains	※1 19,203	※1 21,050
Share of profit of entities accounted for using equity method	41,486	15,667
Other	72,311	15,888
Total non-operating income	288,274	163,963
Non-operating expenses		
Interest expenses	8,481	12,495
Other	37,158	19,497
Total non-operating expenses	45,639	31,992
Ordinary profit	1,993,272	2,285,676
Extraordinary income		
Gain on sale of non-current assets	20,462	191
Gain on sale of investment securities	299,156	572,180
Gain on reversal of share acquisition rights	787	4,252
Gain on liquidation of subsidiaries	130,102	-
Total extraordinary income	450,508	576,623
Extraordinary losses		
Loss on sale of non-current assets	0	1,856
Loss on retirement of non-current assets	4,850	6,386
Loss on valuation of golf club membership	1,690	-
Loss on termination of employment	-	※2 13,952
Total extraordinary losses	6,541	22,196
Profit before income taxes	2,437,239	2,840,104
Income taxes - current	795,340	994,515
Income taxes - deferred	(87,852)	(73,801)
Total income taxes	707,487	920,713
Profit	1,729,751	1,919,390
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,729,751	1,919,390

Quarterly Consolidated Statements of Comprehensive Income
The nine-month period

(Thousands of yen)

	For the nine months ended August 31, 2023	For the nine months ended August 31, 2024
Profit	1,729,751	1,919,390
Other comprehensive income		
Valuation difference on available-for-sale securities	806,243	997,971
Deferred gains or losses on hedges	58,989	(20,569)
Foreign currency translation adjustment	(45,771)	817,385
Remeasurements of defined benefit plans, net of tax	(12,005)	(13,819)
Share of other comprehensive income of entities accounted for using equity method	(0)	(3)
Total other comprehensive income	807,454	1,780,963
Comprehensive income	2,537,206	3,700,354
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,537,206	3,700,354
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to the Quarterly Consolidated Financial Statements

The quarterly consolidated financial statements are prepared in accordance with Article 4, Paragraph 1 of Standards for Preparation of Quarterly Financial Statements of Tokyo Stock Exchange, Inc. and accounting standards for quarterly financial statements that are generally accepted as fair and appropriate in Japan, applying the provisions for reduced disclosures as set forth in Article 4, Paragraph 2 of the Standards.

(Segment Information, Etc.)

Segment information

I For the nine 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	8,651,175	4,171,822	3,927,225	16,750,223	-	16,750,223
Product	12,938,696	423,784	21,473	13,383,954	-	13,383,954
Transportation	3,639,732	727,083	1,050,820	5,417,637	-	5,417,637
Revenue from contracts with customers	25,229,605	5,322,690	4,999,519	35,551,815	-	35,551,815
Net sales to external customers	25,229,605	5,322,690	4,999,519	35,551,815	-	35,551,815
Intersegment sales or transfers	1,347,648	3,249,967	69,752	4,667,368	(4,667,368)	-
Total	26,577,254	8,572,658	5,069,271	40,219,184	(4,667,368)	35,551,815
Segment profit (loss)	1,531,635	497,918	(42,665)	1,986,888	(236,251)	1,750,637

(Notes) 1 The adjustment of (236,251) thousand yen to segment profit (loss) includes corporate expenses of (172,500) thousand yen not allocated to the reportable segments, and other in the amount of (63,750) 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 nine 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	8,579,200	4,964,801	4,184,893	17,728,895	-	17,728,895
Product	12,160,175	527,077	22,224	12,709,478	-	12,709,478
Transportation	3,372,137	731,646	1,083,256	5,187,039	-	5,187,039
Revenue from contracts with customers	24,111,513	6,223,525	5,290,374	35,625,412	-	35,625,412
Net sales to external customers	24,111,513	6,223,525	5,290,374	35,625,412	-	35,625,412
Intersegment sales or transfers	1,398,900	2,515,203	48,139	3,962,243	(3,962,243)	-
Total	25,510,413	8,738,729	5,338,513	39,587,656	(3,962,243)	35,625,412
Segment profit	1,522,660	715,546	132,482	2,370,689	(216,983)	2,153,705

(Notes) 1 The adjustment of (216,983) thousand yen to segment profit includes corporate expenses of (188,207) thousand yen not allocated to the reportable segments, and other in the amount of (28,776) thousand yen.

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

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Notes on Going Concern Assumption)

Not applicable.

(Notes on statements of Quarterly Consolidated Balance Sheets)

Discount on export notes

	(Thousands of yen)	
	As of November 30, 2023 (December 1, 2022 to November 30, 2023)	As of August 31, 2024 (December 1, 2023 to August 31, 2024)
Discount on export notes	15,336	17,963

(Notes on statements of Quarterly Consolidated Statements of Income)

*1 Presentation of gains (losses) related to forward exchange contracts

For the nine months ended August 31, 2023

Valuation losses related to forward exchange contracts for transactions between consolidated group companies of 68,757 thousand yen are included in "foreign exchange gains".

For the nine months ended August 31, 2024

Valuation gains related to forward exchange contracts for transactions between consolidated group companies of 2,257 thousand yen are included in "foreign exchange gains".

(Changes in presentation)

Valuation gains (losses) related to forward exchange contracts for transactions between consolidated group companies, which were categorized and presented as "gain (loss) on derivatives" in the nine months of the previous fiscal year, are included in "foreign exchange gains (losses)" beginning in the nine months of the current fiscal year in order to enhance the clarity of presentation. In order to reflect this change in presentation, "foreign exchange gains" of 87,961 thousand yen and a "loss on derivatives" of 68,757 thousand yen in the consolidated statements of income for the nine months of the previous fiscal year have been reclassified as "foreign exchange gains" of 19,203 thousand yen.

*2 Loss on termination of employment

For the nine months ended August 31, 2024

This is an expenditure due to termination of employment in connection with management rationalization of a U.S. subsidiary.

(Notes on statements of Quarterly Consolidated Cash Flows)

Quarterly consolidated statements of cash flows have not been prepared for the nine months of the current fiscal year.

Depreciation (including amortization related to intangible assets excluding goodwill) and goodwill amortization for the nine months of the current fiscal year are as follows.

	(Thousands of yen)	
	Nine months ended August 31, 2023 (December 1, 2022 to August 31, 2023)	Nine months ended August 31, 2024 (December 1, 2023 to August 31, 2024)
Depreciation	764,952	752,144
Goodwill amortization	207,402	213,898