

 President Takaki Ichitsubo	MORITO CO., LTD. (9837)
	

— Company Information —

Exchange	1st section of Tokyo Stock Exchange
Business category	Wholesale (commerce)
President	Takaki Ichitsubo
Address	4-2-4 Minami-honmachi, Chuo-ku, Osaka
Year-end	Last day of November
URL	http://www.morito.co.jp/english/index.html

— Stock Information —

Share Price	Number of shares issued (excluding treasury shares)		Total market cap	ROE (Actual)	Trading Unit
¥788	30,800,000 shares		¥24,270 million	3.8%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥26.00	3.3%	¥50.90	15.5 x	¥1,196.17	0.7 x

*The share price means the closing price on February 28.

*Number of shares issued taken from the latest brief financial report.

*ROE and BPS are the values as of the end of the previous term.

— Consolidated Earnings Trends —

(Unit: Million yen or yen)

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
November 2012 (Actual)	31,521	1,389	1,405	787	54.20	17.00
November 2013 (Actual)	33,145	1,390	1,699	1,081	74.69	20.00
November 2014 (Actual)	35,862	1,429	1,729	1,270	43.85	18.50
November 2015 (Actual)	43,293	1,721	1,871	1,432	49.48	14.50
November 2016 (Actual)	40,086	1,767	1,647	1,181	41.48	17.00
November 2017 (Actual)	41,388	1,707	1,703	3,305	119.29	28.00
November 2018 (Actual)	43,943	1,725	1,790	1,257	45.71	25.00
November 2019 (Forecast)	47,000	1,900	1,900	1,400	50.90	26.00

* The forecasted values were provided by the company.

*The 2-for-1 share split was conducted on July 1, 2014.

We briefly report the financial results for the term ending November 2018 of Morito Co., Ltd.

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Key Points

- **•The sales for the term ended November 2018 were 43,934 million yen, up 6.2% year on year. While sales rose in Japan, Europe, and the United States, the company saw a sales decline in Asia. Gross profit grew 6.0% year on year, but gross profit rate dropped slightly in the wake of the soaring of raw material prices. With a 6.9% year-on-year increase in selling, general and administrative (SG&A) expenses (mainly transportation costs), operating income grew 1.0% year on year to 1,725 million yen. Ordinary income stood at 1,790 million yen, up 5.1% year on year. Although an exchange loss widened further, equity in earnings of affiliates rose.**
- **•For the term ending November 2019, both sales and operating income are expected to rise 7.0% and 10.1%, respectively, year on year. Morito is scheduled to change its corporate structure to the holding company structure on June 1, 2019. The company will aim to proactively expand business in a swifter manner under the new corporate structure by formulating the next mid-term management plan with the term ending November 2020 as the first fiscal year. The exchange rate is assumed to be 111.88 yen/USD. With the basic policy to “keep a payout ratio of 50% or above (for the ordinary dividend) and DOE at 1.5%,” the annual dividend for the current term is projected to be a total of 26.00 yen/share. The estimated payout ratio is 51.1%.**
- **•In the term ending November 2018, profit growth was slowed by an increase in transportation costs as a result of the price rises by transportation companies, the expenses for preparing for a shift to the holding company structure, and the impact of the climbing prices of raw materials. Morito will start to serve as the holding company in the second half of the fiscal year ending November 2019. The new corporate group structure will enhance the management strategy function, accelerate the management decision-making process, and maximize group synergy. The stock market as a whole was sluggish, resulting in a weak growth in Morito’s share prices. The price book-value ratio (PBR) is 0.6, which appears to be comparatively low for Morito that has stably secured a positive balance and is recognized as defensive stock even amid a global economic slowdown.**

1. Company Overview

Morito is a specialized trading company that engages in the entire process of planning, developing, manufacturing, wholesaling, and distributing automobile interior parts and clothing accessories, including hooks and eyes, hook-and-loop fasteners, and “eyelets,” which are metal rings for lining a hole for laces on shoes, clothes, etc. Through its history of over 100 years, the company has developed the deep trust of customers, high market share with a wide array of products, global networks, etc. As of the end of November 2017, there are a total of 16 consolidated subsidiaries, 3 domestic and 13 overseas, and 1 affiliated company accounted for using the equity method in Japan.

【Corporate history】

The founder Jukichi Morito, who had worked for a draper’s shop in Osaka as an employee, started a one-man company called “Morito Shoten” in 1908, brokering the trade of eyelets, hooks and eyes. In the Taisho period, the western fashion spread, boosting the demand for shoes and allowing the company to grow rapidly. In 1937, the company internationalized its business by exporting

hook-and-loop fasteners to Sumatra and Java, and shoelaces to Johannesburg in South Africa and the U.K. After the Pacific War, the company started selling colored nylon fasteners and hook-and-loop fasteners®. In the 1990s, the company launched the business related to consumer goods, such as automobile interior parts and camera straps, with the aim of promoting general-purpose materials, and expanded its business domain. The company also conducted overseas business actively. In 1989, the company was listed in the second section of Osaka Securities Exchange, and in July 2013, it was registered in the second section of Tokyo Stock Exchange, as Tokyo Stock Exchange and Osaka Securities Exchange merged. Morito changed to the first section of Tokyo Stock Exchange on December 2016.

1908	Opened Morito Shoten (started selling eyelets, hooks and eyes, and shoelaces)
1935	Established Morito Shoten Co., Ltd.
1958	Started selling colored nylon fasteners.
1960	Started selling hook-and-loop fasteners®.
1976	Renamed the company Morito Co., Ltd.
1977	Established a consolidated subsidiary named Morito Industrial Co., (H.K.) Ltd. in China.
1983	Established a consolidated subsidiary named KANE-M, Inc. in the U.S.
1985	Established a consolidated subsidiary named Morito (Europe) B.V. in the Netherlands.
1988	Established a consolidated subsidiary named Taiwan Morito Co., Ltd. in Taiwan.
1989	Listed in the 2 nd section of Osaka Securities Exchange
1997	Opened Zama Logistics Center.
2001	Acquired Wah Kin Metal Products Mfg. Co., Ltd. and Morito (Shenzhen) Co., Ltd. in China as the subsidiaries of Morito Industrial Co., (H.K.) Ltd. through M&As.
2003	Established a consolidated subsidiary named Kane-M Shanghai Co., Ltd. in China. Acquired Three Runners Co., Ltd. through M&A and reorganized it into a consolidated subsidiary.
2005	Relocated and expanded the scales of Bao'an Factory of Morito Industrial Co., (H.K.) Ltd. and Morito (Shenzhen) Co., Ltd. in China.
2007	Morito Industrial Co., (H.K.) Ltd. acquired Wah Kin Metal Products Mfg. Co., Ltd. through absorption-type merger in China.
2008	Formed business and capital tie-ups with the Kuraray Group and reorganized Kuraray Fastening Co., Ltd. into an equity-method affiliate.
2009	Built Dalian Office of Kane-M Shanghai Co., Ltd. in China.
2010	Established Morito Vietnam Co., Ltd. in Vietnam. Opened Dongguan Office of Kane-M Shanghai Co., Ltd. in China. Established Morito Ishihara Auto Parts (Shenzhen) Co., Ltd. in China. Established Kane-M Danang Co., Ltd. in Vietnam.
2011	Established Kane-M (Thailand) Co., Ltd. in Thailand.
2012	Opened a representative office in Myanmar. Established Michigan Branch of Kane-M Inc. in the U.S. Started operating Kane-M Danang.
2013	Listed in the 2 nd section of Tokyo Stock Exchange.
2014	Acquired Scovill, a U.S. company that manufactures and sells clothing materials. Acquired MATEX INC. through M&A.
2016	Listed in the 1 st section of Tokyo Stock Exchange.
2017	Established a non-consolidated subsidiary named Morito Scovill Mexico (Mexico). Established an unconsolidated subsidiary named 52DESIGN (Japan).
2018	Acquired MANEUVERLINE CO., LTD. through M&A. Transferred part of the business of GSG FASTENERS ASIA LIMITED to Morito Industrial Co., (H.K.) Ltd. and changed the company name to MORITO SCOVILL HONG KONG COMPANY LIMITED. Transferred part of the business of KANE-M, INC to Scovill and changed the company name to MORITO

SCOVILL AMERICAS, LLC. Established Morito Kanto Logistics Center.
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【Vision, etc.】

1. Founding Principle

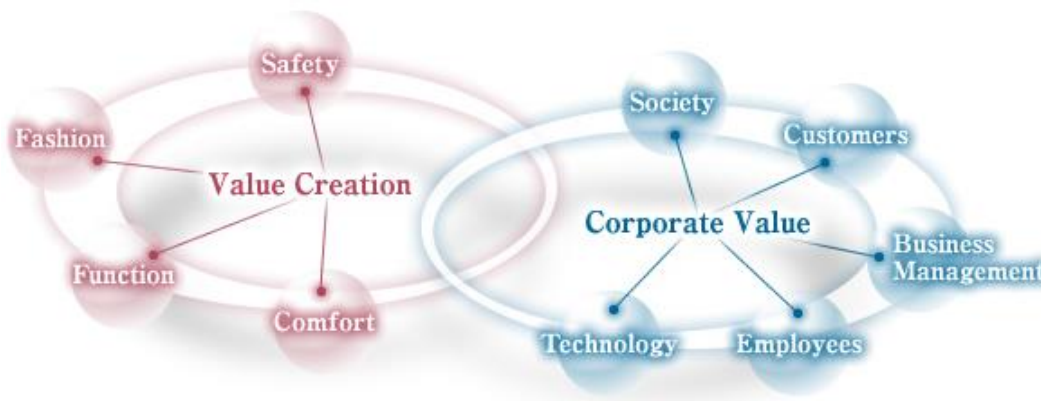
Active and Steadfast

The principle “Active and Steadfast” represents the spirit of Morito that has been fostered since its inauguration, and implies that “Success is ensured by proactively making a judgment and taking action.” The backbone of Morito’s business is the spirit of the founder Jukichi Morito: “To win over your competitors, you always need to come up with an innovative surprise. Always seek for new ideas while doing business.”

2. Corporate Principle

DESIGN YOUR BRIGHT FUTURE WITH OUR VARIOUS PARTS, WE DO IT!

- (1) We make available a broad array of parts throughout the world, pursuing a boundless market that transcends product genres.
- (2) We give shape to the needs of our customers, exercising authentic craftsmanship and thereby enriching people’s lives.
- (3) We demonstrate value-creating expertise from a comprehensive point of view (i.e., in terms of fashion, function, comfort, safety), contributing to the creation of a better tomorrow in one with all our stakeholders.



(Source: Morito’s website)

3. Corporate Vision

Create Morito’s existence value, Realize “New Morito Group”

4. Action Principles

For Customer From the drawing board to consumption, our emphasis on product quality and safety throughout the entire production process enables us to earn the customer’s satisfaction and help contribute to society.
For Shareholder Our continued growth and the improvement of our corporate value will return profits to our shareholders.
For Employees Working in an environment which promotes individualism yet also encourages teamwork will give employees at Morito a feeling of pride.
For Society As a good corporate citizen, we will contribute to the progress of the society while practicing strict observance of the law and environmental regulations.

【Business description】

The business of Morita can be classified into three realms: 1) The “apparel component business,” which handles clothing accessories, such as eyelets, hooks and eyes, buckles, and fasteners, 2) The “product business,” which handles the straps for cameras and mobile terminals, and foot-care products, such as the secondary materials and insoles of shoes, and 3)The “transportation equipment business, which treats automobile interior parts, such as mat emblems and door grips,.

In each business, the company conducts the entire process of planning, development, manufacturing, distribution, and sale of products, according to markets and customers’ needs, while considering fashion, functionality, comfort, safety, etc.

The segments to be reported are the three segments: Japan, Asia, and Europe & the U.S.

© Apparel Component Business



Eyelets



Hooks and Eyes

(Source: Morito)

Sales composition ratio is 44% as of FY November 2018.

Morito delivers the accessories of clothes and footwear, including eyelets, hooks and eyes, buckles, fasteners, and rivets, to apparel manufacturers, etc. inside and outside Japan, which are end clients of Morito, mainly via wholesalers, trading companies, and distributors.

© Product Business

Camera case



Strap



(Source: Morito)

Sales composition ratio is 42% as of FY November 2018.

Morito delivers straps for cameras and mobile terminals, etc to image-related electronics manufacturers. Moreover, the company sells foot-care products, such as secondary materials, insoles of shoes, and shoe cream, as its original brands.

© Transportation Equipment Business



(Source: Morito)

Sales composition ratio is 14% as of FY November 2018.

Morito handles automobile interior parts, such as mat emblems, door grips and arm rests.

The automobile-related business accounts for about 90%. The major clients are supplier companies of Japanese leading automobile manufacturers.

【Features and Strengths】

(1) Stable business performance

As described in the section of corporate history, Morito has been operating apparel component business since its inception, by handling eyelets, hooks and eyes, hook-and-loop fasteners®, etc. The company increased the purposes of use of general-purpose materials, and launched the product business including the transportation equipment business.

At the present, sales composition ratio is 50 % of the apparel component business and 50% of the product business including the transportation equipment business.

This business portfolio stabilizes the performance of Morito. The company has never fallen into the red, even during the two postwar oil shocks and the global economic crisis in the wake of the bankruptcy of Lehman Brothers.

(2) High shares with a wide array of products

The company has high market share for various products, as tabulated below.

Although some enterprises in emerging countries supply products at lower prices than Morito, Morito won the trust of clients with its capabilities of dealing with all processes, including planning, development, manufacturing, and distribution, and coping with various situations appropriately, and the quality of its products, including safety, which had been developed through its long history, achieving high market share.

For example, Morito gives appropriate technical advice from the stage of producing samples for clients, repeatedly fine-tunes coloration to meet the needs of clients, and keeps checking products after the start of full-scale production. Namely, the company not merely sells products, but clears many hurdles before starting transactions, and provides clients with a system for all processes from upstream to downstream ones. The provision of such added value is highly evaluated by clients, mainly the famous brands outside Japan.

BRIDGE REPORT



<Major Items and Share>

Item	Share
Metal hooks and eyes (babies' wear)	35%: the 2 nd largest in the world
Eyelets, hooks and eyes	55%: the largest in Japan
Hook-and-loop fasteners®	60%: the largest in Japan
Insoles	25%: the largest in Japan
Mat emblems for automobiles	70%: the largest in Japan
Camera accessories	40%: the largest in Japan

(Surveyed by Morito)



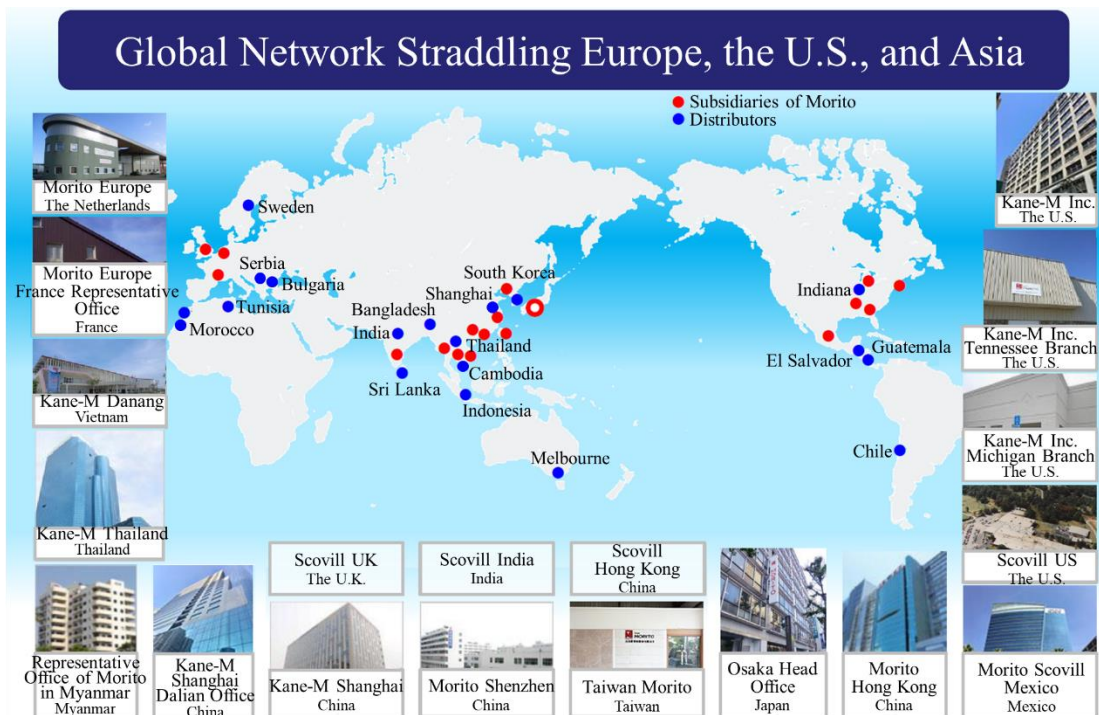
Insoles



Hook-and-loop fasteners

(3) Global Network

Planning and development are conducted mainly in Japan. The company owns many production and distribution facilities in Europe; North, Central, and South Americas; Asia-Pacific region, and Africa.



(Source: Morito)

With the aim of growing as a global company, Morito is enriching international production sites and sales networks, and

developing internal systems to underpin global business administration.

If this progresses as planned and its global network is fortified, the competitive advantage of the company will be enhanced further. In addition to the above three items, its unique positioning, too, can be said to characterize Morito.

When considering just one among Morito's many products, there are always some competitors, but Morito is the only one company in the world that handles such a variety of products, deals with all processes, including planning, development, manufacturing, distribution, and sale, and has sales exceeding 40 billion yen.

【ROE analysis】

	Term ended Nov. 2012	Term ended Nov. 2013	Term ended Nov. 2014	Term ended Nov. 2015	Term ended Nov. 2016	Term ended Nov. 2017	Term ended Nov. 2018
ROE (%)	3.2	4.1	4.5	4.7	3.9	10.7%	3.8%
Net income ratio to sales [%]	2.50	3.26	3.54	3.31	2.95	7.99	2.86
Total asset turnover	0.98	0.97	0.88	0.93	0.91	0.98	0.96
Leverage [times]	1.32	1.31	1.43	1.53	1.46	1.36	1.40

For the term ended November 2017, ROE rose drastically due to increase in net income, which is attributed to increase in extraordinary income after the sale of land.

For the term ending November 2019, net income ratio to sales is estimated 2.98%.

2. Fiscal Year November 2018 Earnings Results

(1) Overview of consolidated results

[Unit: million yen]

	FY Nov. 2017	Ratio to sales	FY Nov. 2018	Ratio to sales	YoY change	Compared with the initial forecast
Sales	41,388	100.0%	43,943	100.0%	+6.2%	-0.1%
Gross margin	11,142	26.9%	11,807	26.9%	+6.0%	-
SG&A expenses	9,435	22.8%	10,082	22.9%	+6.9%	-
Operating income	1,707	4.1%	1,725	3.9%	+1.0%	-13.7%
Ordinary income	1,703	4.1%	1,790	4.1%	+5.1%	-5.8%
Net income	3,305	8.0%	1,257	2.9%	-62.0%	-3.3%

*Net income is profit attributable to owners of the parent. Hereinafter the same shall apply.

Sales rose, and operating and ordinary incomes increased with the influence of the climbing raw material prices and the growing transportation costs being absorbed.

Sales were 43,934 million yen, up 6.2% year on year. While sales rose in Japan, Europe, and the United States, the company saw a sales decline in Asia. Gross profit grew 6.0% year on year, but gross profit rate dropped slightly in the wake of the soaring of raw material prices. With a 6.9% year-on-year increase in the selling, general and administrative (SG&A) expenses (mainly transportation costs), operating income grew 1.0% year on year to 1,725 million yen. Ordinary income stood at 1,790 million yen, up 5.1% year on year. Although an exchange loss widened further, equity in earnings of affiliates rose.

Net income shrank 62.0% year on year to 1,257 million yen. Gain on sale of noncurrent assets, which stood at 3,292 million yen in the previous term, dropped.

(2) Trend by segment

[Unit: million yen]

	FY Nov. 2017	Composition ratio	FY Nov. 2018	Composition ratio	YoY change
Sales					
Japan	28,466	68.8%	31,326	71.3%	+10.0%
Asia	7,205	17.4%	6,484	14.8%	-10.0%
Europe and the U.S.	5,716	13.8%	6,132	14.0%	+7.3%
Total	41,388	100.0%	43,943	100.0%	+6.2%
Profit in the segment					
Japan	1,314	77.0%	1,361	78.9%	+3.6%
Asia	538	31.5%	469	27.2%	-12.8%
Europe and the U.S.	164	9.6%	305	17.7%	+86.2%
Adjustment amount	-309	-	-411	-	+32.9%
Total	1,707	100.0%	1,725	100.0%	+1.0%

*Sales are for external clients. The composition ratio of profit means the ratio of profit to sales.

© Japan

Sales and profit grew 10.0% and 3.6%, respectively, year on year.

In the apparel components business, sales of accessories and products for sports declined, but sales of uniforms and working wear, and accessories targeted at large retailers increased.

In the products business, the company saw a sales increase in health-related accessories and products, such as supporters for the knee or other body parts, products targeted at hardware, working wear, and work goods stores, products for distributors and retailers, automobile interior parts, and the business of lease, sale, and cleaning of kitchen equipment.

Furthermore, the business results of MANEUVERLINE CO., LTD., which has engaged in the import and sale of items related to marine leisure and snowboarding and was acquired by Morito as a consolidated subsidiary in April 2018, were incorporated in Morito's business results, bringing Morito a net increase in revenues by the amount of the sales from Maneuverline's business.

© Asia

Sales and profit decreased 10.0% and 12.8%, respectively, year on year.

In the apparel components business, although sales of accessories targeted at Japanese apparel manufacturers grew in Shanghai, sales of accessories for European and American apparel manufacturers dropped in Hong Kong.

Sales of accessories for video equipment in the products business shrank in Hong Kong and Thailand.

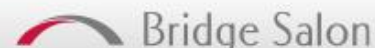
© Europe and the U.S.

Sales and profit rose 7.3% and 86.2%, respectively, year on year.

The apparel components business showed a sales rise in accessories targeted at apparel manufactures in Europe and the United States.

In the products business, although sales of accessories for video and audio equipment decreased in Europe, automobile interior parts for Japanese automobile manufacturers were on the rise in Europe and the United States.

BRIDGE REPORT

**(3) Financial Situation and Cash Flow**

© Main BS

[Unit: million yen]

	End of Nov. 2017	End of Nov. 2018		End of Nov. 2017	End of N Nov. 2018
Current assets	28,033	27,704	Current liabilities	6,951	7,926
Cash and deposits	12,235	9,343	Trade payables	4,317	4,500
Trade receivables	10,797	12,008	Short-term debts s	611	1,349
Inventories	4,305	5,406	Noncurrent liabilities	3,906	7,173
Noncurrent assets	15,425	20,345	Long-term debts s	1,000	4,267
Property, plant and equipment	5,883	10,146	Total liabilities	10,858	15,100
Intangible assets	4,004	4,352	Shareholders' Equity	29,622	30,189
Investments, others	5,537	5,846	Retained earnings	24,713	25,277
Total assets	43,473	48,059	Equity	-2,122	-2,118
			Net assets	32,615	32,959
			Total liabilities, net assets	43,473	48,059
			Equity ratio (%)	74.9%	68.5%

Total assets grew 4,586 million yen year on year to 48,059 million yen.

Current assets stood at 27,704 million yen, down 329 million yen from the end of the previous term, which can be put down mainly to an increase in notes and accounts receivable by 1,210 million yen, a rise in goods and products by 1,049 million yen, and a decline in cash and deposits by 2,892 million yen.

Noncurrent assets were up by 4,920 million yen from the end of the previous term to 20,345 million yen. This is attributable to increases in buildings and structures (such as the logistics center in Saitama prefecture) by 2,232 million yen, land by 1,805 million yen, and goodwill after M&A by 468 million yen.

Current liabilities were 7,926 million yen, up 974 million yen from the end of the previous year, primarily because the current portion of long-term debt grew 588 million yen and notes and accounts payable rose 183 million yen.

Noncurrent liabilities showed a rise by 3,267 million yen from the end of the previous term to 7,173 million yen, owing chiefly to a growth in long-term debts by 3,667 million yen. Net assets went up by 344 million yen from the same period last year to 32,959 million yen.

As a result, the equity ratio shrank 6.4 points from 74.9% in the previous term to 68.5%.

© Cash flow

[Unit: million yen]

	FY Nov. 2017	FY Nov. 2018	Increase/decrease
Operating CF	1,802	626	-1,175
Investing CF	2,939	-5,171	-8,110
Free CF	4,741	-4,544	-9,285
Financing CF	-2,572	2,303	+4,875
Cash and Equivalents	10,776	8,525	-2,250

Operating CF was 626 million yen in surplus (which stood at 1,802 million yen in the previous year), which is due mainly to the acquisition of income before income taxes.

Investing CF recorded a deficit of 5,171 million yen (which had a surplus of 2,939 million yen in the previous term), owing primarily to the acquisition of property, plant and equipment, and the acquisition of a subsidiary that required a change in the consolidation scope.

Financing CF went into the black and stood at 2,303 million yen (which was in deficit of 2,572 million yen in the previous term) chiefly because of the income through long-term debts and the payment of dividends.

The cash position shrank 2,250 million yen from the end of the previous term, resulting in a balance of cash and cash equivalents of 8,525 million yen.

(4) Topics

◎ Decided to make a shift to the holding company structure

Although it had considered changing its corporate structure to the holding company structure, Morito officially decided to do so on June 1, 2019.

Morito will enter into an absorption-type split agreement with MORITO JAPAN CO., LTD. (a preparatory company for the corporate split), which is Morito's wholly-owned subsidiary, and make a transition to the holding company structure in accordance with the corporate divestiture method.

After the split, Morito will modify its business purposes according to its new business as the holding company as of June 1, 2019 (plan).

The corporate divestiture will be conducted only after an approval is obtained through a resolution at the general shareholders' meeting scheduled for February 27, 2019 and, as required, an approval and license by relevant competent authorities.

<Purpose of the transition to the holding company structure>

The current environment surrounding the Morito Group is changing drastically in the wake of not only the medium- and long-term decline in domestic demand caused by the decreasing population, but also the global trend of creating new business models across industries and the rise of new technologies, such as Internet of Things (IoT) and artificial intelligence (AI).

As mentioned below, the Group is aiming to expand the revenue base through realization of value creation that keeps in step with the times and global business expansion under its management vision of "actualization of the new Morito Group that can create existence value." The company has judged that making a transition to the holding company structure is the best option in order to thrive further and secure revenues.

① Strengthening of the Group's management strategy function

Specializing in management of the Morito Group as a whole, Morito as the holding company will endeavor to maximize the corporate value of the entire Group by drawing up group's management strategies toward expansion of new businesses, including M&A, and distributing management resources in an optimum manner and efficiently utilizing them.

② Swifter decision-making process through clarification of authorities and responsibilities

Morito will strive to make decisions in a swifter manner, propel forward business flexibly, and boost competitiveness by separating the organization that is in charge of group management and the organization responsible for moving ahead with business, and then clarifying their respective responsibilities and authorities.

③ Maximization of group synergy

Taking the lead as the holding company, Morito will put forth efforts to maximize synergy by utilizing the management resources that the Group possesses in a cross-sectional and effective manner.

3. Fiscal Year November 2019 Earnings Forecast

(1) Consolidated earnings forecast

[Unit: million yen]

	FY Nov. 2018	Ratio to sales	FY Nov. 2019 (Forecast.)	Ratio to sales	YoY change
Sales	43,943	100.0%	47,000	100.0%	+7.0%
Operating income	1,725	3.9%	1,900	4.0%	+10.1%
Ordinary income	1,790	4.1%	1,900	4.0%	+6.1%
Net income	1,257	2.9%	1,400	3.0%	+11.3%

*The estimated values were those announced by the company. *Net income means the profit attributable to owners of the parent.

Increase in sales and profit

Sales and operating income are expected to rise 7.0% year on year to 47 billion yen and 10.1% year on year to 1.9 billion yen, respectively. Morito is scheduled to change its corporate structure to the holding company structure on June 1, 2019. The company will aim to proactively expand business in a swifter manner under the new corporate structure by formulating the next mid-term management plan with the term ending November 2020 as the first fiscal year. The exchange rate is assumed to be 111.88 yen/USD.

With the basic policy to “keep a payout ratio of 50% or above (for the ordinary dividend) and DOE at 1.5%,” the annual dividend for the current term is projected to be a total of 26.00 yen/share (13.00 yen for the interim and 13.00 yen for the year-end). The estimated payout ratio is 51.1%.

4. Conclusions

In the term ended November 2018, Morito saw a stagnant growth in profits as a result of the expenses spent on establishing a logistics center in Saitama prefecture in addition to the acquisition of a subsidiary through M&A, and the impact of the soaring raw material prices and the increase in transportation costs. It will start to serve as the holding company in the second half of the fiscal year ending November 2019. The new corporate group structure will enhance the management strategy function, accelerate the management decision-making process, and maximize group synergy. With MANEUVERLINE CO., LTD., which was acquired in the term ended November 2018, being added as a new subsidiary, we, of course, expect that the companies acquired as subsidiaries contribute to revenues of Morito.

The stock market as a whole was sluggish, resulting in a weak growth in Morito’s share prices. The price book-value ratio (PBR) is 0.6, which appears to be comparatively low for Morito that has stably secured a positive balance and is recognized as defensive stock even amid a global economic slowdown.

<Reference: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with audit and supervisory committee
Directors	8 directors, including 2 external one
Auditors	3 auditors, including 2 external ones

◎ Corporate Governance Report

Updated on February 28, 2019

<Basic Views>

Our company has put enhancement and enrichment of our corporate governance framework on the front burner from the viewpoint of stakeholders in accordance with our Code of Conduct in which our management philosophy and what all the directors and employees at our company should do are set out, in order to raise our corporate value continuously in a long-term perspective. We think that it is necessary to disclose information in an honest and timely fashion, swiftly make decisions based on clarified roles and responsibilities, and strengthen objective check functions for satisfying our stakeholders.

Judging that external directors' supervision of business execution by our Board of Directors and audits by auditors, including external auditors, are effective as management monitoring functions, our company has adopted an organizational form of a company with audit and supervisory board.

Board of Directors consists of 6 internal directors and 2 external directors, and a board meeting is held once every month in order to make decisions on the matters specified in laws and regulations and important matters related to our company's management strategies, and to supervise the directors' performance of duties. Furthermore, our company has set up a compliance committee in a bid to instill and maintain the compliance framework, and deal with requests regarding the internal control system.

Our company has designated the 2 outside directors as independent directors in accordance with the rules established by the Tokyo Stock Exchange and submitted a notification concerning the designation to the exchange.

Our Board of Auditors are composed of 3 auditors, including 2 external ones, and carries out fair and objective audits with the fundamental audit aim of building a corporate governance framework.

Our company has designated the 2 outside auditors as independent auditors in accordance with the rules established by the Tokyo Stock Exchange, and submitted a notification concerning the designation to the exchange.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

Principles	Reasons for not implementing the principles
【Supplementary principles 1-2-4 Exercise of rights at a general meeting of shareholders】	Our company has adopted a system for exercising voting rights through the Internet. We will translate convocation notices into English when we have judged that doing so is necessary after taking the proportion of overseas investors into account
【 Supplementary Principle 4-3-1, Supplementary Principle 4-8-1, Principle 4-10, Supplementary Principle 4-10-1: Making Use of Independent Outside Directors】	Our company has currently appointed 2 independent outside directors. At this moment, the independent external directors fully express their opinions at board meetings, and discussion over candidates for directors is thoroughly held among board members. Our company, however, has not set up any advisory committee. Through extensive discussion with independent outside directors, we will consider how independent external directors should be involved and how the Board of Directors should serve, including establishment of an advisory committee.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

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Principles	Disclosure contents
<p>【Principle 1-4 So-called strategically held shares】</p>	<p>Our company will acquire and hold shares of listed companies only when we have judged that doing so is strategically necessary after taking into account the importance as a business strategy and the partnership with each partner company in terms of sale, manufacturing, and fundraising, in addition to potential acquisition of dividends and capital gains.</p> <p>Furthermore, we will strive to cut down on the number of strategically held shares when the significance of holding them is deemed to be no longer profound.</p> <p>In light of the aforementioned, we regularly verify at board meetings whether or not we should continue holding shares of a listed company by taking our revenue targets, actual return, and transaction status into consideration.</p> <p>Regarding the listed companies whose shares our company holds in large numbers out of the listed companies whose shares we have decided to hold continuously based on the verification, we will disclose the number of shares held and the purpose of continuing to hold them through securities reports.</p> <p>Our company properly exercises our voting rights on the strategically held shares through comprehensive judgment by taking into account whether or not strategically holding shares contributes to improvement in shareholder value, and how that impacts our company.</p>
<p>【Principle 5-1 Policy for constructive dialogue with shareholders】</p>	<p>Our company has provided opportunities for dialogue with shareholders for the purpose of contributing to our company's sustainable growth and medium- and long-term improvement of the corporate value.</p> <p>① Status of system development</p> <p>Our company has appointed a person responsible for IR activities in order to realize constructive dialogue with shareholders. In addition, with the department in charge of IR activities taking the lead, related departments cooperate with each other, establishing a system that offers appropriate information to shareholders.</p> <p>② Policies on efforts</p> <p>Our company hosts a variety of events on a regular basis, including financial results briefings that are designed for analysts and institutional investors and held semiannually by a person in charge of IR activities, individual interviews held quarterly, and company information sessions held 3 – 4 times a year for individual investors. Information is shared among the top executives in the hope of utilizing information obtained through such events in corporate management.</p> <p>Furthermore, our company properly grasps insider information in accordance with the regulations on management of insider trading, and exercises utmost caution when we hold dialogue with shareholders.</p>

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