

MORITO (9837)

Consolidated Fiscal Year (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY11/2013		33,145	1,390	1,699	1,081	37.3	10.0	944.1
FY11/2014		35,862	1,429	1,729	1,270	43.9	12.5	1,017.8
FY11/2015CoE		43,000	1,700	1,800	1,400	48.3	14.0	-
FY11/2014	YoY	8.2%	2.8%	1.8%	17.4%	-	-	-
FY11/2015CoE	YoY	19.9%	18.9%	4.1%	10.2%	-	-	-
Consolidated Q1 to Q3 (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q3 FY11/2014		25,889	919	1,028	1,040	-	-	-
Q1 to Q3 FY11/2015		32,353	1,236	1,397	797	-	-	-
Q1 to Q3 FY11/2015	YoY	25.0%	34.5%	35.8%	(23.4%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (20 November 2015)

Successful M&A Strategy

MORITO, involved with wholesaling of apparel materials and consumer-products materials on a global basis as the key earnings source, is likely to see its business growing mainly driven by implementation of M&A strategy. In Q1 to Q3 FY11/2015, the Company saw steady organic growth, while having benefited from increasing net add-ons stemming from SCOVILL (GSG Fastener, LLC), i.e., manufacturer of apparel materials, based in Georgia, U.S.A. It has been consolidated since the beginning of the fiscal year as a result of implementation of M&A strategy. Going forward, initial costs associated with this are not to reappear in FY11/2016, while the Company is likely to start benefiting from synergy from here on a full-fledged basis. As far as apparel materials, being estimated to account for substantial part of earnings of the Company as a whole, are concerned, the Company has already obtained decent market shares on a global basis in the existing domains to date. However, it is still the case that there remains ample room for the Company to substantially expand own exposure to domains but for existing ones, i.e. those of high-end products, etc., going forward.

In Q1 to Q3 FY11/2015, sales came in at ¥32,353m (up 25.0% YoY), operating profit ¥1,236m (up 34.5%) and operating profit margin 3.8% (up 0.3% points). In regards to above-mentioned SCOVILL, sales came in at ¥4,300m, operating profit ¥204m (after goodwill write-off) and operating profit margin 4.7%. When simply based on all those figures, sales increased 8.4% over the year and 12.3% for operating profit on an existing basis. Meanwhile, sales of SCOVILL ¥4,300m comprised ¥3,000m in Europe & America and ¥1,300m in Asia, having driven earnings of Europe & America in particular, as far as we could gather. According to segmented information disclosed by the Company, net increases of earnings over the year were ¥146m in Japan, ¥62m in Asia and ¥223m in Europe & America. Meanwhile, operating profit margin as a


whole for the Company improved due mainly to improving segment profit margin in Japan. It is not easy to be looking to high growth potentials for sales in Japan, even in a long-term view, and thus the Company has been keen on cutting back own exposure to low-profit-margin operations to beef up profitability for some time, instead, in Japan, which has started to work well most recently, as far as we could gather. On the other hand, segment profit margin in Europe & America and Asia marginally came down over the year. It appears that this had a lot to do with initial costs at SCOVILL in Q1. Nevertheless, this is not to reappear in FY11/2016, while benefiting from synergy to be generated on a full-fledged basis, as mentioned above.

FY11/2015 Company forecasts are going for prospective sales ¥43,000m (up 19.9% YoY), operating profit ¥1,700m (up 18.9%) and operating profit margin 4.0% (unchanged over the year). Roughly speaking, Company forecasts assume prospective sales ¥5,750m, operating profit ¥275m and operating profit margin 4.8% for SCOVILL, as far as we could gather. When simply based on all those figures, sales are to increase 3.9% over the year, while operating profit effectively unchanged, on an existing basis. Thus, earnings in Q4 are to be adjusted, but this is due to one-off factors to a large extent. On top of generation of expenses to take advantage of external consulting services to formulate midterm management plan, those of shareholder benefit are to be larger than assumed due to unexpected increases of individual shareholders. Meanwhile, the deal to have merged with SCOVILL has generated goodwill ¥3,895m to be evenly written off over 20 years, leading to goodwill write-off ¥195m pa (¥49m on a quarterly basis).

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2.0 Company Profile

Wholesaling Apparel Materials & Consumer-Products Materials on A Global Basis

Company Name	MORITO CO. LTD. Company Website IR Information Share Price	 <p>MORITO CO.,LTD.</p>
Established	17 December 1935	
Listing	14 July 1989: Tokyo Stock Exchange 2nd Section (Ticker: 9837)	
Capital	¥3,532m (As of the end of August 2015)	
No. of Shares	30,800,000 shares, including 1,826,506 treasury shares (As of the end of August 2015)	
Main Features	<ul style="list-style-type: none"> ● Apparel Materials Business and Consumer-Products Materials Business, evenly sharing sales as a whole for the Company, roughly speaking ● Wholesaling of both is the key earnings pillar, while that of apparel materials carrying gross profit margin relatively higher ● Expanding business due to M&A 	
Businesses	<ul style="list-style-type: none"> . Apparel Materials Business . Consumer-Products Materials Business 	
Top Management	President: Takaki Ichitsubo	
Shareholders	MORITO Prosperity Association 8.55%, Kuraray Co., Ltd. 7.54%, KANE-M Industry 6.18% (As of the end of May 2015)	
Headquarters	Chuo-ku, Osaka, JAPAN	
No. of Employees	Consolidated: 1,308, Unconsolidated: 283 (As of the end of May 2015)	

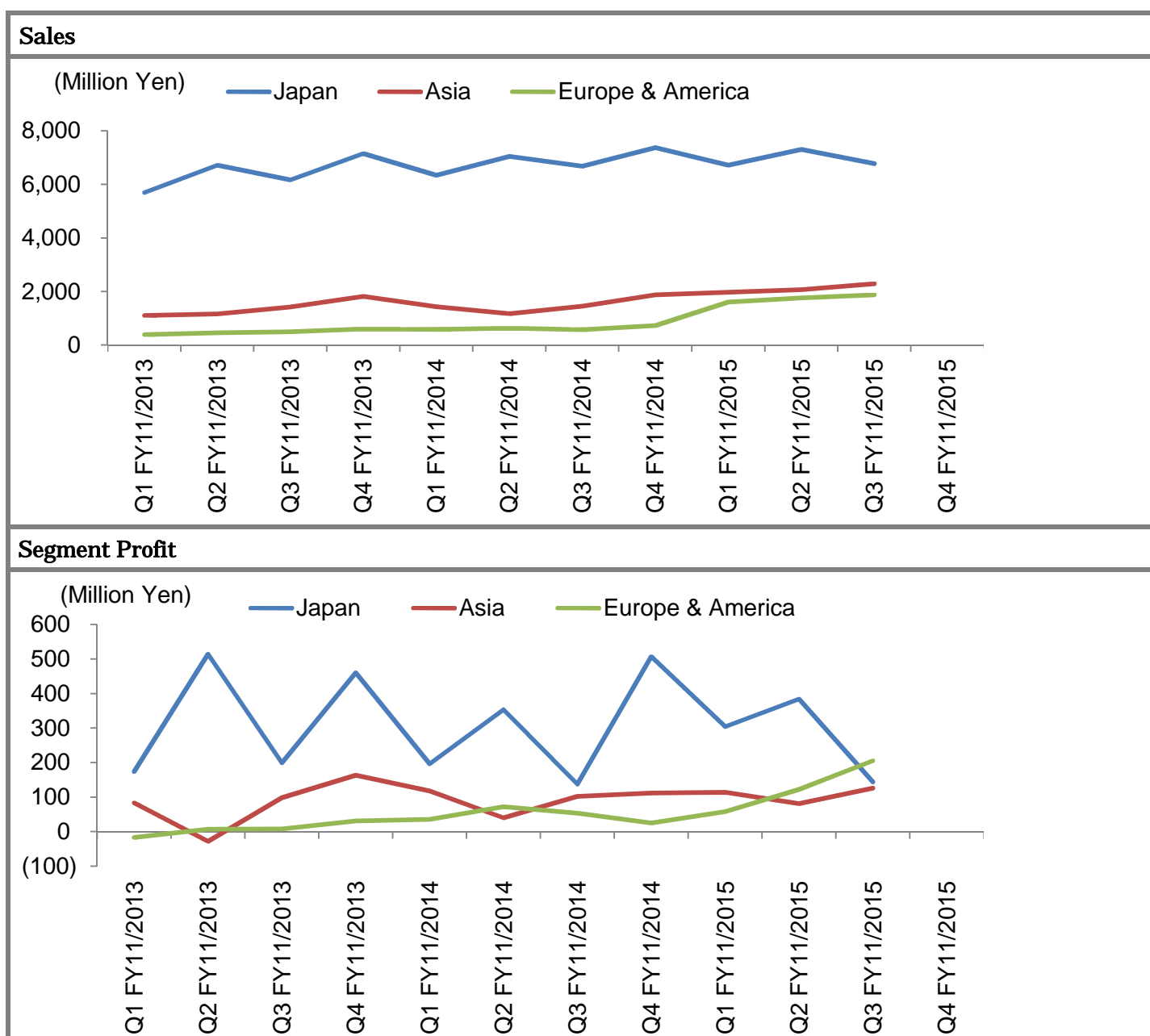
Source: Company Data

3.0 Recent Trading & Prospects

Q1 to Q3 FY11/2015 Results

In Q1 to Q3 FY11/2015, sales came in at ¥32,353m (up 25.0% YoY), operating profit ¥1,236m (up 34.5%), recurring profit ¥1,397m (up 35.8%) and net profit ¥797m (down 23.4%), while operating profit margin 3.8% (up 0.3% points).

Out of the most recent full-year Company forecasts, sales have been achieved 75.2%, operating profit 72.8%, recurring profit 77.6% and net profit 56.9%. Thus, the progress rate was low for net profit, in that the Company suffered from liquidation loss ¥322m for its affiliated company, booked as extraordinary loss in Q2. The issue, in detail, is that the Company sold manufacturing factory of auto-interior parts, based in China, where it was too hard to make the operations profitable.



Source: Company Data, WRJ Calculation

The Company, involved with wholesaling of apparel materials and consumer-products materials on a global basis as the key earnings source, discloses its sales and earnings region-wise on a quarterly basis in segmented information, while the contents in Q1 to Q3 were as follows:

In Japan, sales came in at ¥20,792m (up 3.7%), segment profit ¥834m (up 21.3%) and segment profit margin 4.0% (up 0.6% points), having accounted for 64.3% of sales and 54.1% of segment profit out of the Company as a whole. Thus, more than half of earnings as a whole for the Company are currently coming from Japan. On the apparel materials side, sales were mainly driven by those of accessories for major apparel volume retailers and those for Japanese, European and American sports apparels manufacturers, while designated stationery for schools, accessories of school bags, OEM products of camera accessories and product shoes on the consumer-products side.

At the same time, in Japan, earnings are apt to be volatile quarter on quarter. One of the key reasons is that sales are volatile to a meaningful extent quarter on quarter. For example, sales in Q1 (December to February) over Q4 (September to November) are adjusted, as demand associated with cold protection and/or heat insulation during winter is not to reappear, e.g., that of merchandises such as shoe insoles in distribution & retail business. Then, in Q2 (March to May) over Q1 (December to February), sales are to increase in line with increasing shipments of accessories adopted in apparel products for autumn / winter season. When compared with apparel products for summer season, represented by T-shirts, etc., those of autumn / winter season, including down jackets, etc., incorporate accessories far more, generating major impacts. Then, in Q3 (June to August), this is not to reappear.

Meanwhile, the Company reveals its long-term management strategy “Aiming at Becoming a Global Growth Company”, basically because the Company does not find favorable long-term growth potentials in the market for Japan, going forward. On top of this, the Company has already cultivated the market for Japan to a large extent and thus it will not be very easy to further pursue sales in Japan, indeed. At the end of the day, the Company is trying to get at profitability improvements in Japan, as strategy, rather than further pursuing sales, while the Company has just started to benefit from this. For example, given the fact that the Company was seeing low profitability on the consumer-products materials side, particularly in auto-related domain, it has begun cutting back exposure to unprofitable merchandises in here, while revising selling prices, on a full-fledged basis, since Q4 FY11/2014. As far as we could gather, this is the key reason for improving segment profit margin in Japan.

Elsewhere, having been consolidated since Q1 FY11/2015, SCOVILL saw sales ¥4,300m, operating profit ¥204m and operating profit margin 4.7% in Q1 to Q3, while sales ¥3,000m in Europe & America and ¥1,300m in Asia. Thus, the Company saw net add-ons as much as this for sales in each region.

In Asia, sales came in at ¥6,325m (up 56.4%) segment profit ¥323m (up 23.9%) and segment profit margin 5.1% (down 1.3% points). On the apparel materials side, sales were driven mainly by those associated with European and American manufacturers of baby clothes and outer casual clothes in Hong Kong, while accessories for cameras in Thailand and car-interior parts for Japanese automakers in Shanghai on the consumer-products materials side. Sales on an existing basis, but for net add-ons ¥1,300m of SCOVILL, increased 24.2% over the year. In regards to lowering segment profit margin, it should be mentioned as one of the key reasons that SCOVIL, being newly consolidated as mentioned above, saw operating profit margin 4.7%, which was relatively lower.

In Europe & America, sales came in at ¥5,325m (up 193.0%), segment profit ¥385m (up 138.6%) and segment profit margin 7.4% (down 1.7% points). On the apparel materials side, sales of medical-use accessories and those for working wears were particularly firm in Europe & America, while sales of accessories for cameras in Europe and car-interior parts for Japanese automakers in America on the consumer-products materials side. Sales on an existing basis, but for net add-ons ¥3,000m of SCOVILL, increased 25.1% over the year. Meanwhile, segment profit margin came in at 3.6% in Q1, 7.0% in Q2 and 10.9% in Q3, implying ongoing improvements quarter on quarter. The Company suggests that this has something to do with the fact that it had to suffered from one-off initial costs in Q1, stemming from newly consolidated SCOVILL, but they have not reappeared since then.

Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	11/2014	11/2014	11/2014	11/2014	11/2015	11/2015	11/2015	11/2015	11/2015	
Sales	8,346	17,189	25,889	35,862	10,287	21,418	32,353	-	-	+6,464
Cost of Sales	6,191	12,780	19,201	26,603	7,642	15,945	24,068	-	-	+4,867
Gross Profit	2,155	4,409	6,688	9,258	2,645	5,473	8,284	-	-	+1,596
SG&A	1,908	3,739	5,768	7,829	2,285	4,598	7,047	-	-	+1,279
Operating Profit	247	669	919	1,429	360	874	1,236	-	-	+317
Non Operating Balance	39	17	109	300	70	152	160	-	-	+51
Recurring Profit	286	687	1,028	1,729	430	1,026	1,397	-	-	+368
Extraordinary Balance	113	329	456	182	178	(75)	(21)	-	-	(478)
Pretax Profit	400	1,016	1,485	1,912	609	951	1,375	-	-	(109)
Tax Charges, etc.	131	416	445	642	258	434	578	-	-	+133
Net Profit	268	600	1,040	1,270	350	516	797	-	-	(243)
Sales YoY	+16.1%	+10.8%	+9.8%	+8.2%	+23.3%	+24.6%	+25.0%	-	-	-
Operating Profit YoY	+48.0%	+11.7%	+11.3%	+2.8%	+45.7%	+30.5%	+34.5%	-	-	-
Recurring Profit YoY	(5.9%)	(17.3%)	(8.3%)	+1.8%	+50.3%	+49.4%	+35.8%	-	-	-
Net Profit YoY	+41.8%	+19.0%	+51.2%	+17.4%	+30.6%	(14.0%)	(23.4%)	-	-	-
Gross Profit Margin	25.8%	25.6%	25.8%	25.8%	25.7%	25.6%	25.6%	-	-	(0.2%)
(SG&A / Sales)	22.9%	21.8%	22.3%	21.8%	22.2%	21.5%	21.8%	-	-	(0.5%)
Operating Profit Margin	3.0%	3.9%	3.6%	4.0%	3.5%	4.1%	3.8%	-	-	+0.3%
Recurring Profit Margin	3.4%	4.0%	4.0%	4.8%	4.2%	4.8%	4.3%	-	-	+0.3%
Net Profit Margin	3.2%	3.5%	4.0%	3.5%	3.4%	2.4%	2.5%	-	-	(1.6%)
Tax Charges, etc. / Pretax Profit	33.0%	40.9%	30.0%	33.6%	42.5%	45.7%	42.1%	-	-	+12.1%

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	11/2014	11/2014	11/2014	11/2014	11/2015	11/2015	11/2015	11/2015	11/2015	
Sales	8,346	8,842	8,699	9,973	10,287	11,130	10,935	-	-	+2,235
Cost of Sales	6,191	6,589	6,420	7,402	7,642	8,302	8,123	-	-	+1,703
Gross Profit	2,155	2,253	2,279	2,570	2,645	2,827	2,811	-	-	+532
SG&A	1,908	1,830	2,029	2,060	2,285	2,313	2,448	-	-	+419
Operating Profit	247	422	249	509	360	514	362	-	-	+112
Non Operating Balance	39	(22)	91	191	70	82	7	-	-	(83)
Recurring Profit	286	400	341	700	430	596	370	-	-	+28
Extraordinary Balance	113	215	127	(273)	178	(254)	54	-	-	(73)
Pretax Profit	400	616	468	427	609	341	424	-	-	(44)
Tax Charges, etc.	131	284	29	197	258	175	144	-	-	+115
Net Profit	268	332	439	230	350	166	280	-	-	(159)
Sales YoY	+16.1%	+6.2%	+7.7%	+4.3%	+23.3%	+25.9%	+25.7%	-	-	-
Operating Profit YoY	+48.0%	(2.3%)	+10.3%	(9.7%)	+45.7%	+21.6%	+45.2%	-	-	-
Recurring Profit YoY	(5.9%)	(23.9%)	+17.3%	+21.5%	+50.3%	+48.8%	+8.5%	-	-	-
Net Profit YoY	+41.8%	+5.3%	+139.9%	(41.6%)	+30.6%	(49.9%)	(36.2%)	-	-	-
(Costs of Sales / Sales)	74.2%	74.5%	73.8%	74.2%	74.3%	74.6%	74.3%	-	-	+0.5%
Gross Profit Margin	25.8%	25.5%	26.2%	25.8%	25.7%	25.4%	25.7%	-	-	(0.5%)
(SG&A / Sales)	22.9%	20.7%	23.3%	20.7%	22.2%	20.8%	22.4%	-	-	(0.9%)
Operating Profit Margin	3.0%	4.8%	2.9%	5.1%	3.5%	4.6%	3.3%	-	-	+0.4%
Recurring Profit Margin	3.4%	4.5%	3.9%	7.0%	4.2%	5.4%	3.4%	-	-	(0.5%)
Net Profit Margin	3.2%	3.8%	5.1%	2.3%	3.4%	1.5%	2.6%	-	-	(2.5%)
Tax Charges, etc. / Pretax Profit	33.0%	46.1%	6.2%	46.1%	42.5%	51.4%	33.9%	-	-	+27.7%

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative, Quarterly)

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
	11/2014	11/2014	11/2014	11/2014	11/2015	11/2015	11/2015	11/2015	11/2015	
Japan	6,336	13,378	20,057	27,427	6,713	14,021	20,792	-	-	+735
Asia	1,432	2,599	4,045	5,919	1,969	4,036	6,325	-	-	+2,280
Europe & America	578	1,211	1,786	2,515	1,605	3,359	5,235	-	-	+3,448
Sales	8,346	17,189	25,889	35,862	10,287	21,418	32,353	-	-	+6,464
Japan	+11.3%	+7.8%	+8.0%	+6.6%	+5.9%	+4.8%	+3.7%	-	-	-
Asia	+29.8%	+15.0%	+10.0%	+7.8%	+37.5%	+55.3%	+56.4%	-	-	-
Europe & America	+48.3%	+43.5%	+33.5%	+29.9%	+177.6%	+177.4%	+193.0%	-	-	-
Sales (YoY)	+16.1%	+10.8%	+9.8%	+8.2%	+23.3%	+24.6%	+25.0%	-	-	-
Japan	75.9%	77.8%	77.5%	76.5%	65.3%	65.5%	64.3%	-	-	-
Asia	17.2%	15.1%	15.6%	16.5%	19.1%	18.8%	19.6%	-	-	-
Europe & America	6.9%	7.0%	6.9%	7.0%	15.6%	15.7%	16.2%	-	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-
Japan	196	550	687	1,194	304	689	834	-	-	+146
Asia	118	158	260	373	114	196	323	-	-	+62
Europe & America	35	108	161	186	58	180	385	-	-	+223
Segment Profit	350	816	1,109	1,754	478	1,066	1,542	-	-	+433
Adjustments	(103)	(146)	(189)	(325)	(118)	(192)	(305)	-	-	(115)
Operating Profit	247	669	919	1,429	360	874	1,236	-	-	+317
Japan	+12.6%	(20.2%)	(22.7%)	(11.5%)	+54.9%	+25.3%	+21.3%	-	-	-
Asia	+42.1%	+191.7%	+70.9%	+18.3%	(2.7%)	+23.8%	+23.9%	-	-	-
Europe & America	-	-	-	+518.1%	+65.3%	+67.1%	+138.6%	-	-	-
Segment Profit (YoY)	+45.7%	+11.2%	+6.6%	+3.5%	+36.5%	+30.5%	+39.0%	-	-	-
Japan	3.1%	4.1%	3.4%	4.4%	4.5%	4.9%	4.0%	-	-	+0.6%
Asia	8.2%	6.1%	6.4%	6.3%	5.8%	4.9%	5.1%	-	-	(1.3%)
Europe & America	6.1%	8.9%	9.0%	7.4%	3.6%	5.4%	7.4%	-	-	(1.7%)
Operating Profit Margin	3.0%	3.9%	3.6%	4.0%	3.5%	4.1%	3.8%	-	-	+0.3%

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	11/2014	11/2014	11/2014	11/2014	11/2015	11/2015	11/2015	11/2015	11/2015	
Japan	6,336	7,042	6,678	7,370	6,713	7,308	6,770	-	-	+92
Asia	1,432	1,167	1,445	1,873	1,969	2,067	2,288	-	-	+843
Europe & America	578	632	575	728	1,605	1,754	1,875	-	-	+1,300
Sales	8,346	8,842	8,699	9,973	10,287	11,130	10,935	-	-	+2,235
Japan	+11.3%	+4.9%	+8.3%	+3.1%	+5.9%	+3.8%	+1.4%	-	-	-
Asia	+29.8%	+0.8%	+2.0%	+3.4%	+37.5%	+77.1%	+58.3%	-	-	-
Europe & America	+48.3%	+39.4%	+16.3%	+22.1%	+177.6%	+177.2%	+226.0%	-	-	-
Sales (YoY)	+16.1%	+6.2%	+7.7%	+4.3%	+23.3%	+25.9%	+25.7%	-	-	-
Japan	75.9%	79.6%	76.8%	73.9%	65.3%	65.7%	61.9%	-	-	-
Asia	17.2%	13.2%	16.6%	18.8%	19.1%	18.6%	20.9%	-	-	-
Europe & America	6.9%	7.2%	6.6%	7.3%	15.6%	15.8%	17.2%	-	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-
Japan	196	353	137	507	304	384	144	-	-	+7
Asia	118	40	102	112	114	81	126	-	-	+24
Europe & America	35	72	53	25	58	122	205	-	-	+151
Segment Profit	350	466	292	645	478	588	476	-	-	+183
Adjustments	(103)	(43)	(42)	(135)	(118)	(73)	(113)	-	-	(70)
Operating Profit	247	422	249	509	360	514	362	-	-	+112
Japan	+12.6%	(31.3%)	(31.4%)	+10.2%	+54.9%	+8.8%	+5.5%	-	-	-
Asia	+42.1%	-	+4.0%	(31.0%)	(2.7%)	+101.1%	+24.2%	-	-	-
Europe & America	-	+809.7%	+526.8%	(18.9%)	+65.3%	+68.0%	+282.5%	-	-	-
Segment Profit (YoY)	+45.7%	(5.6%)	(4.4%)	(1.4%)	+36.5%	+26.0%	+62.7%	-	-	-
Japan	3.1%	5.0%	2.1%	6.9%	4.5%	5.3%	2.1%	-	-	+0.1%
Asia	8.2%	3.5%	7.1%	6.0%	5.8%	3.9%	5.5%	-	-	(1.5%)
Europe & America	6.1%	11.5%	9.3%	3.5%	3.6%	7.0%	10.9%	-	-	+1.6%
Operating Profit Margin	3.0%	4.8%	2.9%	5.1%	3.5%	4.6%	3.3%	-	-	+0.4%

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	11/2014	11/2014	11/2014	11/2014	11/2015	11/2015	11/2015	11/2015		
Cash & Deposit	6,546	7,934	7,669	7,862	7,580	8,220	8,096	-	-	+427
Accounts Receivables	9,139	9,826	9,666	10,388	10,559	10,653	10,560	-	-	+894
Inventory	4,010	3,791	4,083	4,557	5,172	4,750	5,057	-	-	+973
Other	1,011	1,196	1,229	1,409	1,486	1,221	1,245	-	-	+15
Current Assets	20,708	22,749	22,648	24,218	24,798	24,847	24,960	-	-	+2,311
Tangible Assets	9,566	9,647	9,696	10,111	10,350	10,382	10,343	-	-	+646
Intangible Assets	443	1,229	1,214	4,701	5,020	5,400	5,390	-	-	+4,175
Investments & Other Assets	5,340	5,605	5,404	6,562	7,034	6,984	7,017	-	-	+1,612
Fixed Assets	15,351	16,482	16,316	21,375	22,405	22,767	22,750	-	-	+6,434
Total Assets	36,059	39,231	38,965	45,593	47,203	47,614	47,711	-	-	+8,746
Accounts Payables	3,997	4,200	4,256	4,588	4,879	4,486	4,708	-	-	+451
Short Term Debt	350	1,049	939	5,335	5,395	5,345	5,335	-	-	+4,396
Other	1,190	1,626	1,353	1,959	1,609	2,020	1,754	-	-	+401
Current Liabilities	5,538	6,876	6,549	11,883	11,883	11,852	11,798	-	-	+5,249
Long Term Debt	-	1,314	1,193	911	818	724	630	-	-	(563)
Other	2,695	2,936	2,963	3,309	3,506	3,557	3,593	-	-	+630
Fixed Liabilities	2,695	4,251	4,156	4,221	4,324	4,281	4,223	-	-	+66
Total Liabilities	8,233	11,127	10,706	16,104	16,208	16,133	16,022	-	-	+5,316
Shareholders' Equity	26,912	27,288	27,455	27,610	27,830	27,996	28,047	-	-	+591
Other	913	815	802	1,877	3,165	3,484	3,641	-	-	+2,838
Net Assets	27,826	28,103	28,258	29,488	30,995	31,480	31,688	-	-	+3,430
Total Liabilities & Net Assets	36,059	39,231	38,965	45,593	47,203	47,614	47,711	-	-	+8,746
Equity Capital	27,826	28,103	28,258	29,488	30,995	31,480	31,688	-	-	+3,430
Interest Bearing Debt	350	2,364	2,132	6,247	6,213	6,069	5,965	-	-	+3,832
Net Debt	(6,196)	(5,570)	(5,536)	(1,615)	(1,366)	(2,151)	(2,130)	-	-	+3,405
Capital Ratio	77.2%	71.6%	72.5%	64.7%	65.7%	66.1%	66.4%	-	-	-
Net Debt Equity Ratio	(23.0%)	(20.4%)	(20.2%)	(5.9%)	(4.9%)	(7.7%)	(7.6%)	-	-	-
ROE (12 months)	4.3%	4.3%	5.2%	4.5%	4.6%	4.0%	3.4%	-	-	-
ROA (12 months)	4.8%	4.2%	4.3%	4.2%	4.5%	4.8%	4.8%	-	-	-
Quick Ratio	283%	258%	265%	154%	153%	159%	158%	-	-	-
Current Ratio	374%	331%	346%	204%	209%	210%	212%	-	-	-
Days for Inventory Turnover	59	53	58	56	62	52	57	-	-	-
Inventory Turnover	6.2	7.0	6.3	6.5	5.9	7.0	6.4	-	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

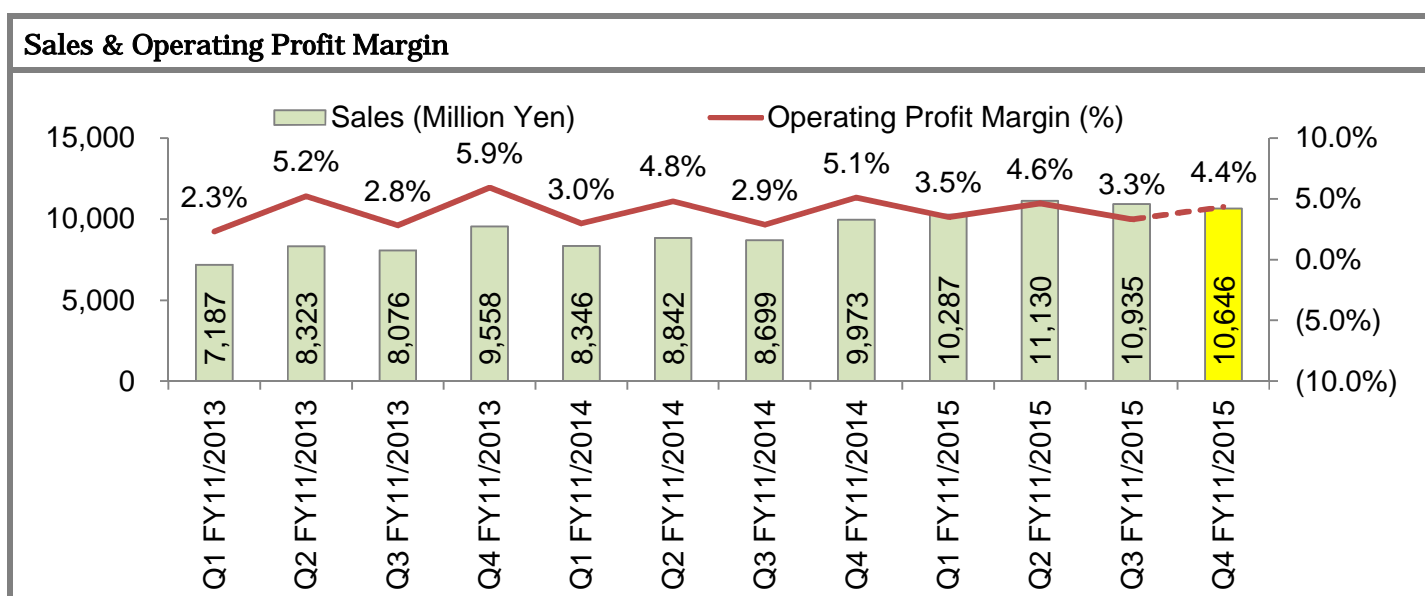
Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	11/2014	11/2014	11/2014	11/2014	11/2015	11/2015	11/2015	11/2015		
Operating Cash Flow	-	247	-	1,123	-	799	-	-	-	-
Investing Cash Flow	-	(643)	-	(5,865)	-	(213)	-	-	-	-
Operating CF & Investing CF	-	(395)	-	(4,741)	-	585	-	-	-	-
Financing Cash Flow	-	1,350	-	4,981	-	(444)	-	-	-	-

Source: Company Data, WRJ Calculation

FY11/2015 Company Forecasts

FY11/2015 Company forecasts are going for prospective sales ¥43,000m (up 19.9% YoY), operating profit ¥1,700m (up 18.9%), recurring profit ¥1,800m (up 4.1%) and net profit ¥1,400m (up 10.2%). All those figures are after revision made at the releases of Q3 results. When compared with initial Company forecasts, prospective sales and net profit have remained unchanged, while operating profit has been downgraded ¥300m (15.0%) and recurring profit ¥300m (14.3%).

Meanwhile, prospective dividend per share has remained unchanged at ¥14.0, implying payout ratio 29.0%, which is up ¥1.5 from ¥12.5, implying payout ratio 28.5% and DOE 1.2%, in FY11/2014. The Company advocates dividend policy, going for a) sustainability of payout, b) DOE more than 1.0% and c) standard payout ratio 30%, while the Company is to carry out the payout in line with this. The idea in here is that, in order to achieve a) sustainability of payout, b) DOE more than 1.0% is assured, even in case earnings during a fiscal year are temporarily adjusted. Meanwhile, when earnings are not temporarily adjusted, c) standard payout ratio 30% is set as rough target to be aimed at.



Source: Company Data, WRJ Calculation

Meanwhile, the main reasons why prospective operating profit and recurring profit have been downgraded are that expenses not assumed in initial Company forecasts are to appear and that sales and earnings of SCOVILL are to be marginally below initial expectations. In regards to the former, the Company is to see one-off expenses in Q4. In details, some expenses are to be generated to take advantage of external consulting services to formulate midterm management plan, while those of shareholder benefit are to be larger than assumed due to unexpected increases of individual shareholders.

Nevertheless, the Company is to see net profit as initially expected. On top of shortfall of recurring profit, the Company has seen unexpected liquidation loss ¥322m for its affiliated company, booked as extraordinary loss to date. However, the Company is planning to compensate for all those negative factors by realizing profit on sales of assets, etc.

Long-Term Prospects

The Company is trying to get at long-term sales growth, going forward, combined with persistently improving ROE, by means of pursuing three expansions, i.e., a) expansion of market shares for accessories on a global basis, b) expansion of own-brand merchandises and c) expansion of business by M&A in the related business domains.

First, a) expansion of market shares for accessories on a global basis, basically, relates to that of overseas. For example, the Company has already cultivated the domestic market for apparel materials in Japan to a large extent and thus further upside appears rather limited, while there remains ample room to cultivate overseas, going forward. On top of this, it is spotted that the Company should be able to pursue profit margin higher than Japan in the markets overseas, as business is rarely exposed to intervening traders, etc. which sees their own profit margin, unlike Japan.

Meanwhile, both a) expansion of market shares for accessories on a global basis and b) expansion of own-brand merchandises are to be driven by c) expansion of business by M&A in the related business domains. For example, the Company merged with SCOVILL (GSG Fastener, LLC), i.e., manufacturer of apparel materials, based in Georgia, U.S.A., in October 2014. As far as we could gather, this gave the Company new sales network to sell to apparel manufacturers based in Europe and America, while new production facilities as well. The former is to encourage a) expansion of market shares for accessories on a global basis and the latter b) expansion of own-brand merchandises, in our view.

4.0 Business Model

Wholesaling Apparel Materials & Consumer-Products Materials on A Global Basis

The Company is running Apparel Materials Business and Consumer-Products Materials Business on a global basis. The Company suggests that the former and the latter evenly share sales of the Company as a whole, roughly speaking. Meanwhile, Apparel Materials Business carries gross profit margin higher than Consumer-Products Materials Business, as far as we could gather.

At the same time, the Company, originally being a trader, is seeing increasing exposure to manufacturing by means of M&A, currently accounting for some 15% of sales, while remaining 85% accounted for by those as a pure trader, roughly speaking. As far as we could gather, the Company, originally being a trader, is highly reliant on earnings as a trader at the moment, while profitability on the manufacturing side remains low. Still, it could be said that the profitability of the manufacturing could improve, going forward, because of low levels at the moment.

Apparel Materials Business & Consumer-Products Materials Business

Apparel Materials Business



Apparel



Footwear



Magic tape[®]

Consumer-Products Materials Business



Transportation
(Autos, Trains, Airplanes)



Digital Still /
Video Camera



PC Accessories,
Stationaries



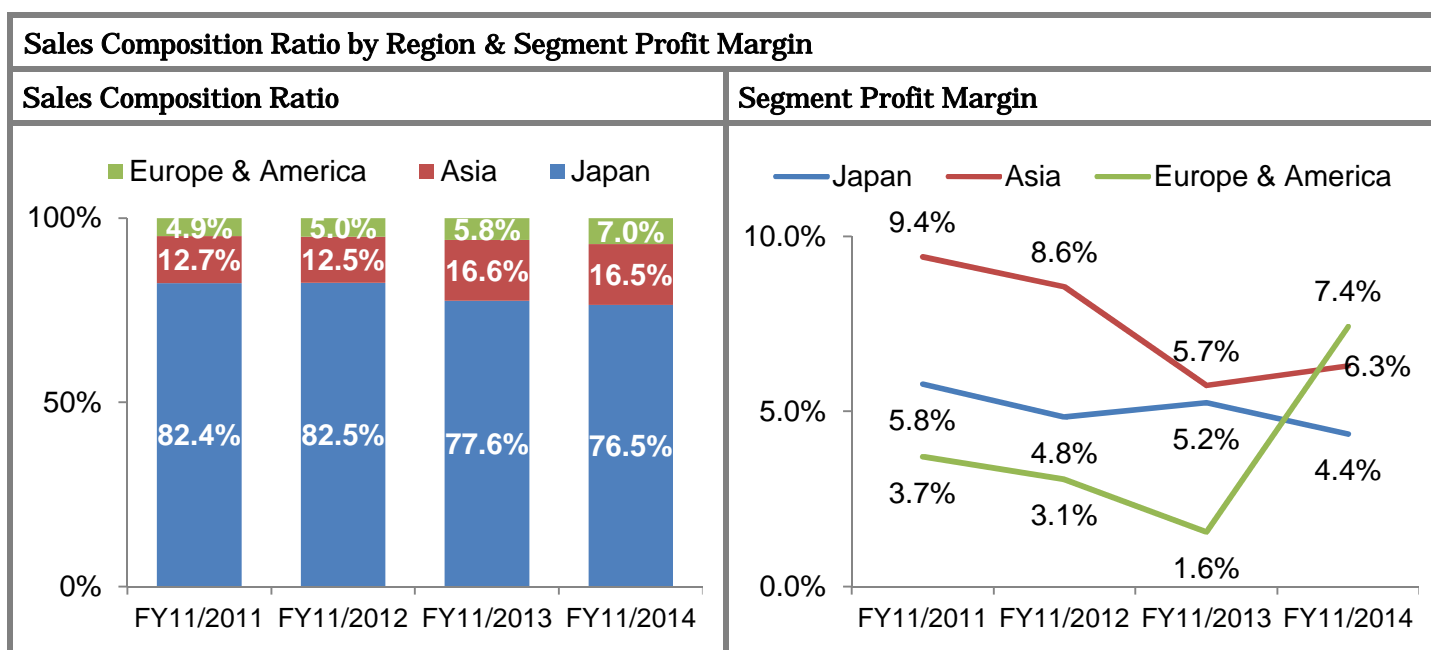
Foot Care

Source: Company Data

Meanwhile, through FY11/2011 to FY11/2014, the Company has steadily cultivated markets overseas. The Company saw sales composition ratio 76.5% in FY11/2014 versus 82.4% in FY11/2011 for Japan, while 16.5% versus 12.7% in Asia and 7.0% versus 4.9% in Europe & America. Segment profit margin in Asia has been above that of Japan, having come in at 6.3% in FY11/2014 versus 4.4% for Japan. Meanwhile, segment profit margin in Europe & America came in at 7.4% in FY11/2014, having exceeded that of Asia, given substantial improvements in FY11/2014 over FY11/2013.

One of the reasons why the Company sees segment profit margin higher than Japan in the markets overseas but for Japan is that it is difficult for the Company to insulate itself from the same old traditional distribution scheme in Japan, which is inefficient and multilayered. In the markets overseas, it is sometimes the case that the Company directly supplies materials to local sewing plants of apparel manufacturers. In here, there is no room for profit margin generated by intervening traders, etc. and only that of the Company exists.

In the first place, the Company makes profit margin by efficiently selling diverse materials to delivery destinations, on behalf of manufacturers, across Japan, specializing in the manufacturing. As far as we could gather, more than half of sales of the Company as a whole are accounted for by materials procured from all those manufacturers, while they are often exposed to the Company overwhelmingly in terms of sales of their own materials and the bulk of them have been persistently doing so for a long period. In terms of apparel materials, more than half of overseas sales are accounted for by materials procured like this in Japan.



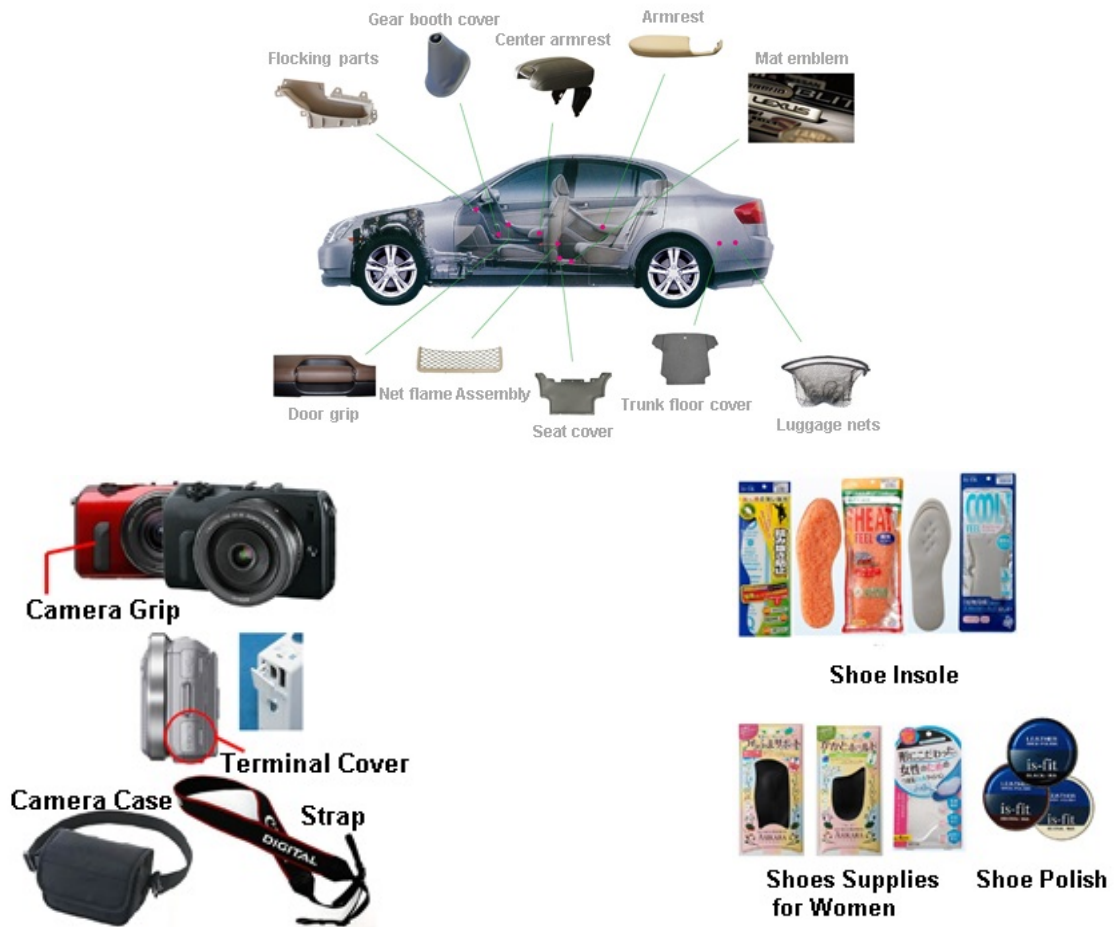
Source: Company Data, WRJ Calculation

The Company is mainly involved with middle range products in its wholesaling of apparel materials, where consolidation has been made in the market on a global basis, resulting in three major players evenly sharing the market, roughly speaking, i.e., the Company, YKK CORPORATION and Prym Group or the establishment based in Germany. Apparel materials as merchandises that they deal in do not have distinguished features almost in any respects each other, while delivery destinations require many issues to achieve stable and on-time delivery purely in line with needs. To date, only the most appropriate players to cope with this have survived and the Company is one of them.

Apparel Materials Business



Consumer-Products Materials Business



Source: Company Data

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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