

Suminoe Textile

Annual Review 2020

YEAR ENDED MAY 31, 2020

 **Suminoe Textile Co., Ltd.**

Head Office

11-20, Minami-Semba 3-Chome, Chuo-ku, Osaka 542-8504, Japan

Phone: +81-6-6251-6801 Fax: +81-6-6251-0862

URL: <https://suminoe.co.jp/>

 **Suminoe Textile Co., Ltd.**

History

Suminoe Textile supplied carpet to various major architectural structures during the Meiji era. We have thus advanced together with Japan from its start as a modern nation.



1883

At the age of 35 founder Denshichi Murata purchased 3 looms in 1883 and began manufacturing carpets.



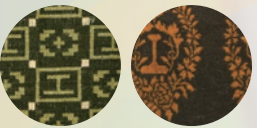
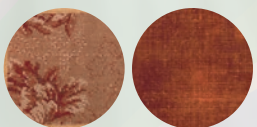
1891

In 1891, Suminoe Textile supplied carpet for the establishment of Japan's Imperial Diet Building in Hibiya. We have been serving as its supplier for 120 years since then.



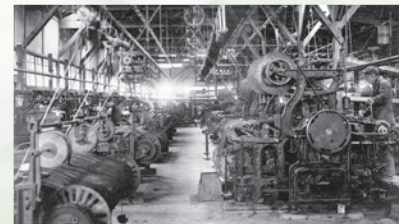
1896

Successful production of hand-woven moquette in 1896, adopted by Japan National Railways for seat covering in 1899.



1913

Suminoe Textile Joint-Stock Company is established.



1930

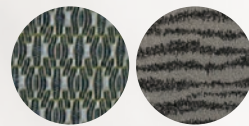
Suminoe Textile Co., Ltd. is established.

1949

Shares listed on the Tokyo, Osaka, and Kyoto stock exchanges.

1958

Starting with our supply of nylon seat covering to TOYOTA MOTOR CORPORATION in 1958, our products have been used by various Japanese automobile manufacturers one after another.



1980

Nara Factory began production of Japan's first carpet tiles.



1994

Current subsidiary, T.C.H. Suminoe Co., Ltd. is jointly established in Thailand.

1998

TRIPLE FRESH® deodorant treatment technology developed.



Company Purpose

We contribute to the improvement of society through production, sales of good products and prosperity of business.

Company Motto

We pride ourselves as a pioneer in the interior design and furnishing industry and persist in the spirit of cooperation, sincerity and resolution.

2003

Suminoe Textile of America Corporation is established in the U.S.
Current subsidiary, Suzhou Suminoe Textiles Co., Ltd. is established in China.
Current subsidiary, Suzhou Suminoe Koide Automotive Accessories Co., Ltd. is jointly established in China.
Current subsidiary, PT. Sinar Suminoe Indonesia is jointly established in Indonesia.

2005

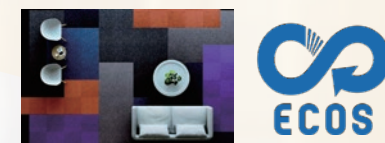
Subsidiary, SPM Automotive Textile Co., Ltd. is jointly established in China.

2010

Subsidiary, Suminoe Teijin Techno Krishna India Pvt. Ltd. is jointly established in India.
Suminoe Textile Shanghai Co., Ltd. is established in China.

2011

ECOS® Recycled Carpet Tiles New Release.



2012

ECOS® became the first product to obtain Eco Mark certification under the new certification criteria.

2013

Consolidate Suminoe Koka Co., Ltd. and Suminoe Nara Co., Ltd., Suminoe Techno Co., Ltd. is established.
Suminoe Textile de Mexico, S.A. de C.V. is established in Mexico.
PT. Suminoe Surya Techno is established in Indonesia.



We celebrated the 130th anniversary of our founding and the 100th anniversary of our incorporation.

2015

Acquired Bondtex, Inc. and made it a consolidated subsidiary.

2018

Suminoe Koide (Thailand) Co., Ltd. starts up operations.

2019

Suminoe Textile Vietnam Co., Ltd. is established in Vietnam.

Contents

Financial Highlights

p3

Business Results

p4

Topics

p6

Suminoe at a Glance

p11

Financial Section

p18

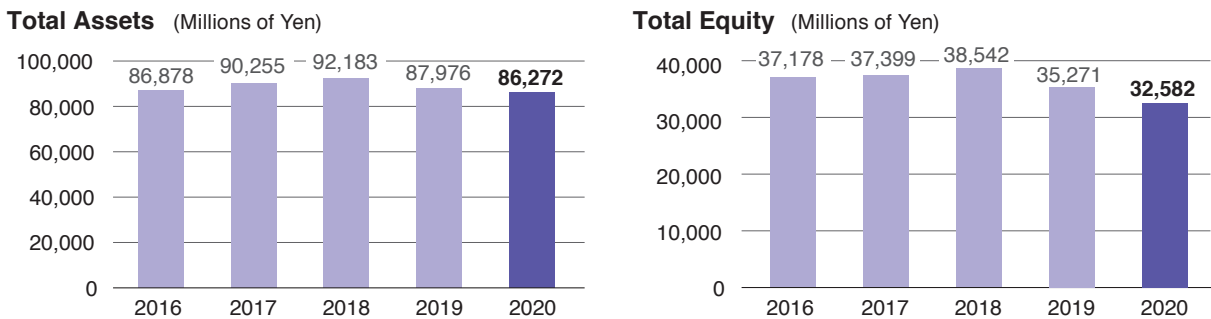
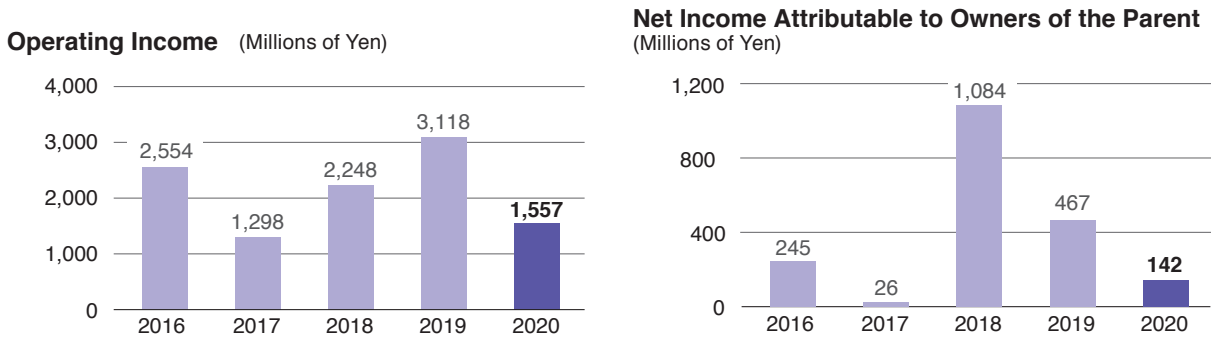
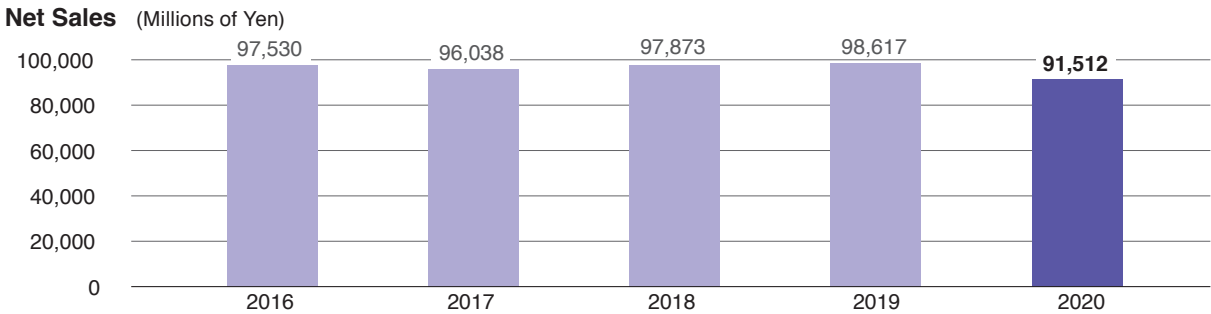
Corporate Data

p33

We are aiming for the creation of a globally optimized supply system.

	Millions of Yen					Thousands of U.S.Dollars
	2020	2019	2018	2017	2016	2020
For the Year:						
Net Sales	¥91,512	¥98,617	¥97,873	¥96,038	¥97,530	\$847,335
Operating Income	1,557	3,118	2,248	1,298	2,554	14,425
Net Income Attributable to Owners of the Parent	142	467	1,084	26	245	1,324
At Year-End:						
Total Assets	¥86,272	¥87,976	¥92,183	¥90,255	¥86,878	\$798,823
Total Equity	32,582	35,271	38,542	37,399	37,178	301,692
Per Share (Yen and U.S. dollars):						
Net Income Attributable to Owners of the Parent	¥21.88	¥65.36	¥143.66	¥3.50	¥32.52	\$0.20
Shareholder's Equity	4,438.11	4,469.04	4,515.26	4,412.34	4,416.08	41.09
Cash dividends applicable to the year	50.00	70.00	70.00	70.00	70.00	0.46
Financial Ratios (%) :						
Equity Ratio	32.5%	34.8%	36.9%	36.9%	38.3%	
ROE (Net Income Attributable to Owners of the Parent Base)	0.5	1.4	3.2	0.1	0.7	
ROA (Ordinary Income Base)	1.5	3.4	2.6	1.5	3.3	

Note 1: U.S. dollar amounts are converted from Japanese yen amounts at the rate of U.S.\$1 to ¥108, the approximate rate on May 31, 2020.
2: Net income attributable to owners of the parent per share of common stock is computed based on the weighted average number of shares outstanding.
3: Suminoe Textile implemented a 1-for-10 reverse split of common shares, which took effect on December 1, 2017. We are calculating our net income attributable to owners of the parent per share, shareholder's equity per share and cash dividends applicable to the year per share based on the number of shares outstanding after the reverse stock split.



Business Results

Chairman and President
Ichizo Yoshikawa

吉川 一三

Consolidated financial result

During the consolidated fiscal year ended May 31, 2020 under review, while the employment and income environment were initially robust, the economy slowed down due to the prolonged U.S.-China trade friction and the consumption tax hike. Amid such circumstances, the outlook became rapidly uncertain due to the global pandemic of COVID-19. In the interior industry, new housing starts were significantly less than the previous year, and the floor area of nonresidential construction starts also decreased. In the automotive industry, automobile production in the Japanese market, which had been declining year on year since last October, has plunged since April due to the impact of the coronavirus. Production and sales have also stagnated in overseas markets, making the outlook of recovery uncertain. In the final year of its 5th three-year medium-term management plan, “2020,” which started in the fiscal year ended May 2018, the Suminoe Textile Group has implemented various measures to achieve our goals under the themes of "restructuring of corporate governance" and "growth of business."

Restructuring of corporate governance	1. Review of financial results management system
	2. Restructuring internal control system
Growth of business	1. Expansion of product lineups
	2. Strengthening of globalization
	3. Development and sales of high value-added products

In the Interior Fittings Segment, the Company is actively capturing businesses with hotels, commercial facilities and demand from offices. At the same time, to secure profits the Company is identifying and focusing on products with higher profitability. The Company is also making efforts to enhance sales of curtains and wall coverings and materials. In the Automotive Textiles and Traffic Facilities Segment, efforts are being made to develop technologies and increase orders received for non-textile products such as artificial leather and to reduce costs through the optimization of material procurement and

the places of production for globally marketed cars in the automotive textiles business, while in the traffic facilities business, the Company is striving to increase sales of not only conventional fabric materials but also seat cushion materials and safety products. In the Functional Materials Segment, preparations are being made to launch a plant in a new subsidiary that was established in Vietnam to stabilize the supply chain, in addition to the sole manufacturing base for electric heating products the Company had in China. For the entire Group, we are working on reconstructing our core system and raising the accuracy of consolidated performance management, in order to upgrade our business management structure. We will continue working steadily on building a foundation for business growth. Under these circumstances, our consolidated financial results for the fiscal year are as follows. Net sales ended at ¥91,512 million (U.S.\$847,335 thousand, down 7.2% year on year) as sales of automotive textiles in Japan and abroad declined due to the impact of the global economic slowdown. In addition to the drop in operating income due to the decrease in sales, an increase in depreciation, etc. related to the reconstructing of its core system resulted in operating income of ¥1,557 million (U.S.\$14,425 thousand, down 50.0%), ordinary income of ¥1,323 million (U.S.\$12,256 thousand, down 55.2%), and profit attributable to owners of parent of ¥142 million (U.S.\$1,324 thousand, down 69.4%).

Consolidated Financial Results

	2020 (Result)	2019 (Result)
Net Sales	¥ 91,512 \$847,335	¥ 98,617 \$904,743
Operating Income	¥ 1,557 \$ 14,425	¥ 3,118 \$ 28,606
Net Income Attributable to Owners of the Parent	¥ 142 \$ 1,324	¥ 467 \$ 4,284
Exchange Rate (Yen)	U.S.\$1=¥108	U.S.\$1=¥109

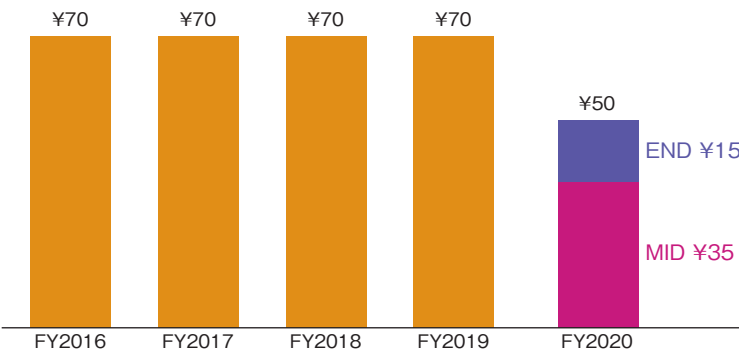
¥ : Millions of Yen \$: Thousands of U.S. Dollars

Dividend policy

The Company has positioned shareholder return as a key management issue and distributes profits appropriately by taking into account stable dividend payments and business results. Based on this basic dividend policy, the annual dividend for the fiscal year ended May 31, 2020 was ¥50 (U.S.\$0.46) per share, with an interim dividend of ¥35 (U.S.\$0.32) per share and a year-end dividend of ¥15 (U.S.\$0.14) per share due to the spread of COVID-19, which had a significant impact on our business.

The dividend forecast for the fiscal year ending May 2021 is undetermined. We will disclose it as soon as it becomes possible to calculate consolidated earnings forecast figures.

Annual Cash Dividends Per Share



Note : The figures shown were calculated based on standards after the reverse stock split.

Outlook for the next term

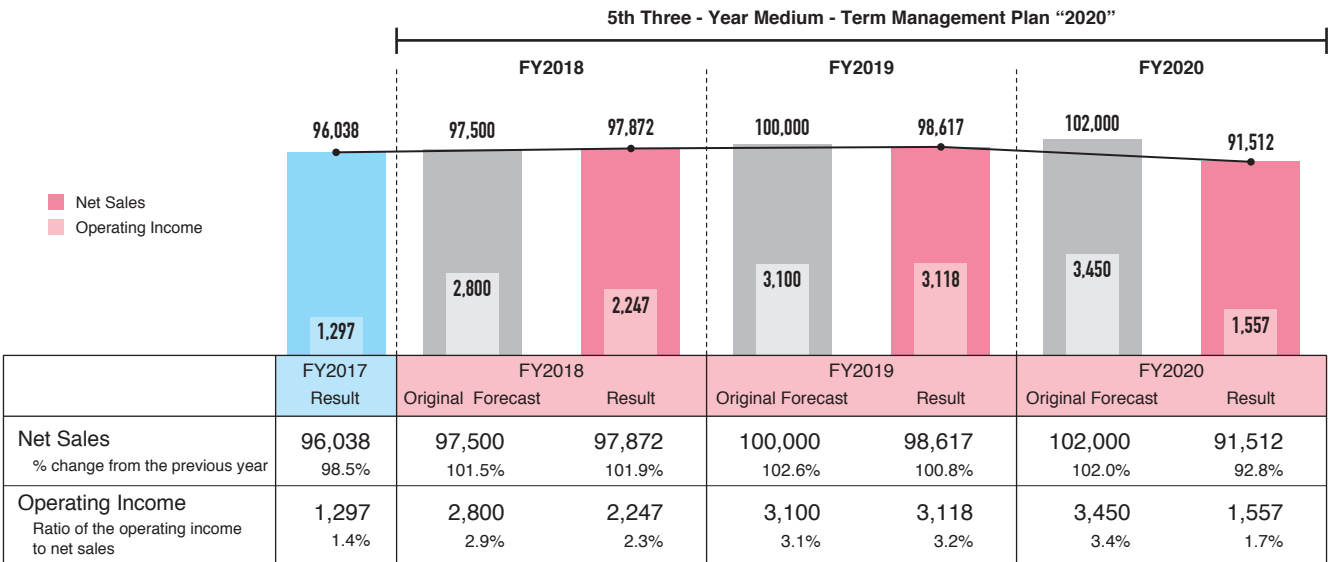
We expect the fiscal year ending May 31, 2021 to be faced with difficult conditions in our business environment amid the inability to foresee when the COVID-19 pandemic will abate. Under such circumstances, the Suminoe Textile Group will continue to place emphasis on the growth of business and restructuring corporate governance, the two themes of the 5th three-year medium-term management plan, “2020,” and work steadily on them while focusing on preventing the spread of COVID-19. In terms of growing the business, the Group will seek to expand its lineup of fabric mixtures in each business segment with ESG management in mind and reinforce its global structure. The Group will accelerate its approach to solving social issues by developing and providing high added value fabric mixtures, including antibacterial and antiviral function processing, which is expected to see a rise in demand under the COVID-19 crisis. In terms of governance, the Group will strengthen its business infrastructure by reconstructing its core system with the aim of improving efficiency.

The Group has decided to postpone the announcement of the plan for the fiscal year ending May 31, 2021 and the new medium-term management plan starting from the fiscal year as it cannot foresee the end of the COVID-19 pandemic. The Group will keep an eye on future development and will announce its plans as soon as the impact of the pandemic on the business environment can be reasonably estimated.

Results of the 5th Three-Year Medium-Term Management Plan “2020”

In the final year of its 5th three-year medium-term management plan, “2020,” which started in the fiscal year ended May 2018, the Suminoe Textile Group has implemented various measures to achieve our goals under the themes of "restructuring of corporate governance" and "growth of business." The plan generally made steady progress until its second year. However, in the final year, the initial plan collapsed due to the prolonged trade friction between the United States and China, the consumption tax hike, and the spread of the COVID-19 pandemic.

Changes in Consolidated Financial Results



Note: The figures in the results are based on Japanese GAAP.

► Restructuring of corporate governance

1. One billion yen invested in the main system over three years

We restructured our main system on a global scale to grasp balance of payments and inventory in a timely manner and promote its efficiency through overall optimization.

2. Continuation of top management’s frequent visits to workplaces

Top management actively visited each workplace and exchanged views with employees to promote interactive communication.

► Growth of business

1. Expansion of product lineups

There was an increase in the product lineup of non-textile products, including synthetic leather sheets for automotive interiors, products for improvement of train safety, and floor signage films for trains. In the interior fittings segment, we launched hard floor materials that allow easy maintenance to meet needs for labor saving, and they have been well received.



Flooring film for signs

2. Strengthening of globalization

Following the start of our car mat manufacturing business in Thailand in 2018, we established a new company in Vietnam in 2019 to produce electric heating products. We will continue to promote overseas expansion tailored to market characteristics, while strengthening our global management system to build an optimal global supply system.



Suminoe Koide (Thailand) Co., Ltd.



Suminoe Textile Vietnam Co., Ltd.

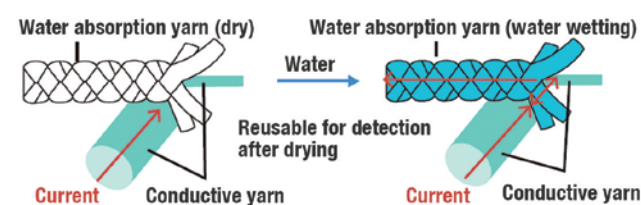
3. Development and sales of high value-added products

We worked on product development using joint research with external organizations. In the future, we will focus on development themes in the initial stage, concentrate investment, and further improve the reliability of commercialization. We are also promoting joint development across divisions.

(Research and development example)

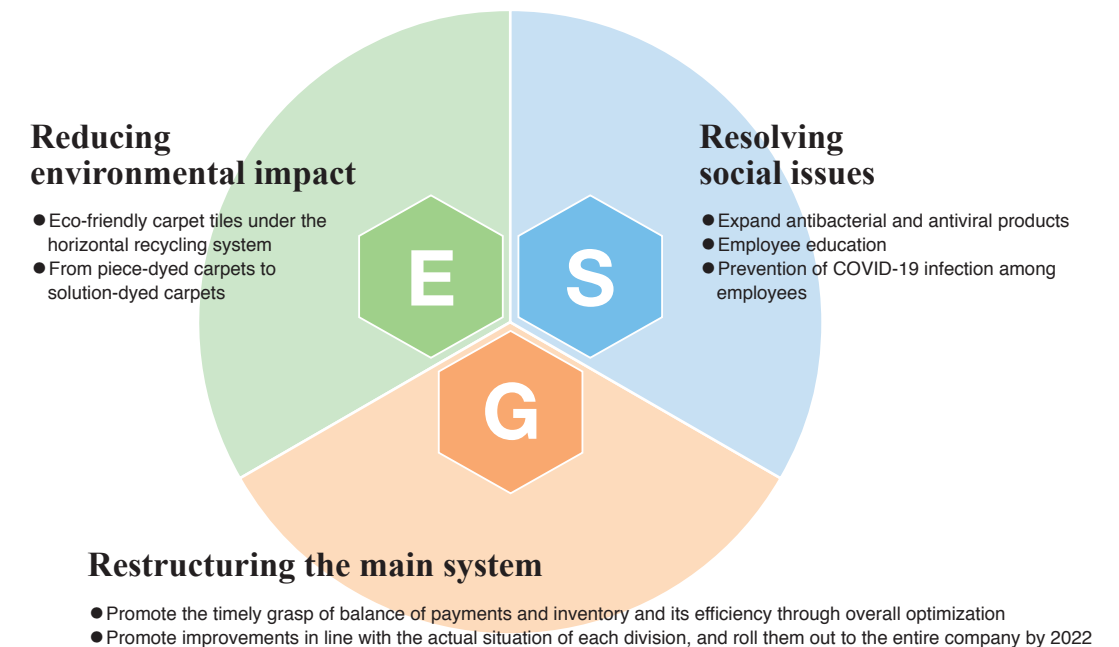


Fabric Electrode



Water Wetting Detection System

Aiming for business growth with ESG management in mind



Environment —Initiatives to reduce environmental impact

1. ECOS®, eco-friendly carpet tiles under the horizontal recycling system

In 2011, we launched *ECOS®*, eco-friendly carpet tiles under the horizontal recycling system, made from used carpet tiles discarded in large amounts. *ECOS®* has achieved the industry's top-class recycled material ratio by using recycled materials from used carpet tiles for the backing material and recycled nylon yarn, or polyester yarn from PET bottles for the surface material. At the same time, we have achieved high quality and competitive prices by thoroughly streamlining production processes.

We will continue to contribute to building a sustainable society by reducing the amount of used carpet tiles destined to be landfilled through the sales expansion of *ECOS®*, an eco-friendly product that meets SDG Goal 12 "Responsible Consumption and Production."

ECOS® Recycle System

Materials from waste carpet tiles reused for the backing material of new carpet tiles



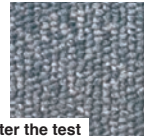
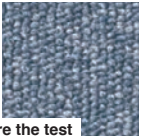
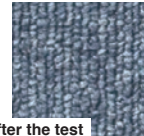
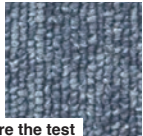
Since the launch of *ECOS®* in 2011, the volume of waste carpet tiles used as recycled materials has reached 243 times the volume of a 25-m swimming pool. The use of recycled materials led to a reduction in CO₂ emissions of 70,000 tons in total, equivalent to the amount of CO₂ absorbed by eight million cedar trees in one year.

8 million cedar trees



2. From piece-dyed carpets to solution-dyed carpets

We will change the dyeing method for carpets, including ECOS®, from piece-dyeing, which requires dyeing effluent treatment and a large amount of water and electricity, to solution-dyeing, with no effluent discharge and low CO2 emissions, where the yarn is colored with pigments during the spinning process. We will proactively increase the ratio of carpets produced using solution-dyed yarn to reduce the environmental impact and enhance quality and cost competitiveness.

Dyeing method	Piece-dyed Carpet fabric woven with white yarn colored with dye	Solution-dyed Coloring pigments added to spinning solution before fabric weaving
Environmental impact	Requires a large amount of water and electricity and effluent treatment	No effluent discharge and low CO2 emissions
Susceptibility to discoloration / fading	<ul style="list-style-type: none">Discoloration and fading occur easily due to ultraviolet rays and friction.Fades with disinfectant, such as sodium hypochlorite <p>* Immersed in sodium hypochlorite solution → Washed with water → Dried</p> <div></div>	<ul style="list-style-type: none">Excellent light resistance and abrasion resistanceExtremely strong chemical resistance <div></div>
Color difference between lots	Limitation in the amount of fabric dyed in a dyeing machine at one time leading to slight color difference	Less variation in color
Cost	High	Low



Product lineup reinforced by the launch of a new series of carpet tiles made using solution-dyed nylon yarn for the surface pile material and ECOS® backing material for the backing material

ECOS® 「LP-2000N NEXUS」
ECOS® 「LP-3100 MELANGE」

Social — Approach toward the resolution of social issues

1. Expand antibacterial and antiviral products

Since around 10 years ago, our Group has been marketing carpets and curtains with antibacterial and antiviral properties mainly for medical, welfare and educational facilities in the interior fittings segment. While using the antibacterial and antiviral processing technology for fabric materials that we have cultivated for interior fittings, each business segment will pursue approaches to resolving social issues.

(Example of products)

Interior Fittings

- Currently available for curtains and carpet tiles for medical, welfare, and educational institutions
- New release of curtains, rugs and mats for general household use

Cleanse® (Kurabo Industries)
Antibacterial + Antiviral



What is Cleanse?


Cleanse® is a Kurabo Industries' antibacterial and antiviral textile finishing technology using Etak® which is developed by Professor Hiroki Nikawa at Hiroshima University Graduate School. The immobilized antibacterial solution "Etak®" is strongly fixed onto the fiber surface. Our Group has been working with Kurabo Industries to manufacture and sell products made using Cleanse.

* Cleanse is a registered trademark of Kurabo Industries Ltd.
* Etak is a registered trademark of CampusMedico Inc.

Functional Materials

Available for mats for nursing care beds and wheelchair cushions

TRIPLE FRESH® Deo
Deodorant + Antibacterial + Antiviral + Antiallergic




What is TRIPLE FRESH® Deo?

This is our unique deodorant processing technology capable of chemically and physically decomposing odors produced during nursing care, medical care and daily life, with the use of several types of metal compounds with deodorant effects. This technology is characterized by not only a deodorant function but also the multiple functions of antibacterial, antiviral and antiallergen activities. It also ensures the continuity of these functions.

2. Automotive interiors in the age of autonomous driving vehicles and shared vehicles

— I.I.2.0 (Intelligent Interior 2.0) —

Our Group has begun a mid- to long-term development project for the interior of next-generation vehicles “I.I.2.0 (Intelligent Interior 2.0)” since 2018 to accelerate future-oriented business.



The automotive industry has reached a once-in-a-century turning point, and it is expected that next-generation vehicles will assume an increasing role as a public space. This is because vehicles will be further commoditized by many and unspecified people through car sharing and share ride services. Meanwhile, the interior may become a new living space equivalent to a home, since the autonomous driving technology relieves the driver of driving duty. Accordingly, we have begun a new project with members across business segments, believing that a key to the interior design of next-generation vehicles is a more personal and public space akin to a hotel guest room.

In addition to the automotive textiles segment, which has a development team, our Group has several other business segments, including the interior fittings segment, which provides curtains and carpets for general households as well as public spaces, such as hotels and medical facilities, and the traffic facilities segment, which provides interior materials for trains, buses and other public transportation. All of these segments have been operating for over 100 years. By bringing together the technologies and knowledge of each segment and jointly developing new automotive interiors, we will propose interiors suitable for next-generation traffic.

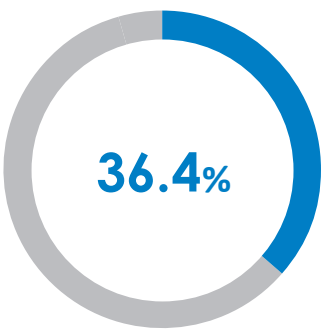


Taking advantage of the strengths of our Group, focused on two pillars: the interior fittings segment and the automotive textiles and traffic facilities segment

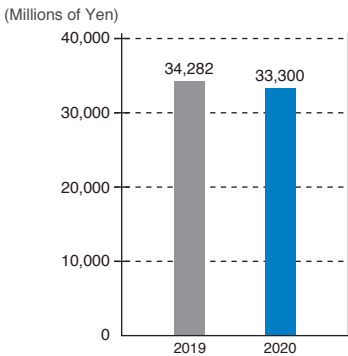
Interior
Fittings

p13

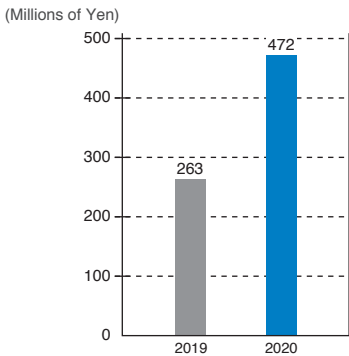
Contribution to Total Net Sales



Net Sales



Operating Income



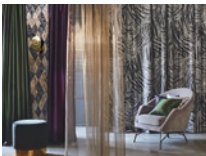
Roll Carpets



Carpet Tiles



Rugs and Mats



Curtains



Wallpaper



Plush Hand-woven
Curtains



Hand-woven Carpet
and Hooked Rugs

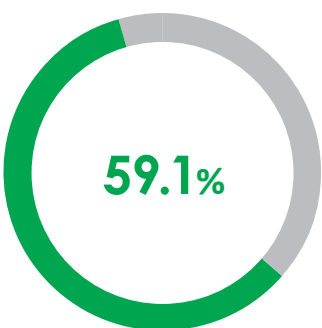


Nishijin Brocade
Fabric

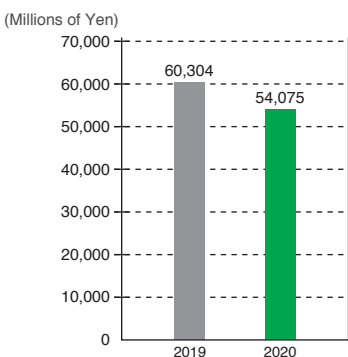
Automotive
Textiles and
Traffic Facilities

p15

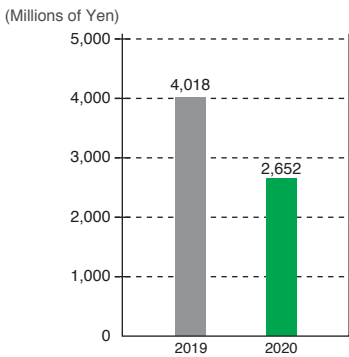
Contribution to Total Net Sales



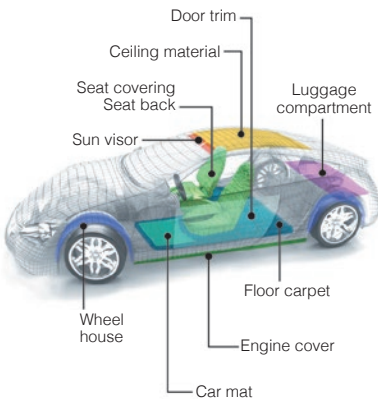
Net Sales



Operating Income



Automotive Textiles



Traffic Facilities



Train



Bus

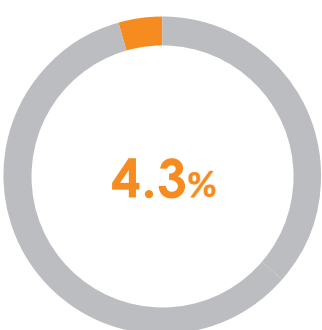


Ship

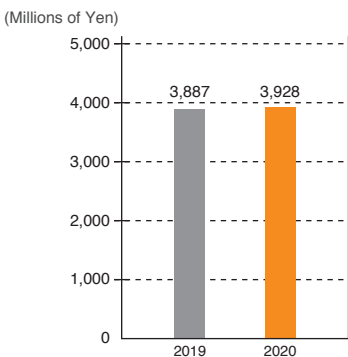
Functional
Materials

p17

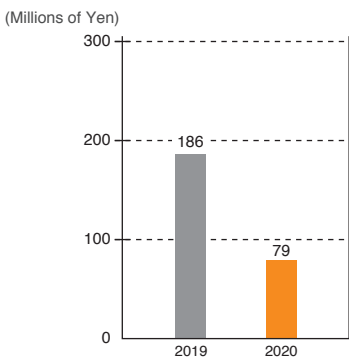
Contribution to Total Net Sales



Net Sales



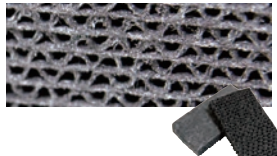
Operating Income



Electric Carpets



Tispa Deodorization
Related Brand



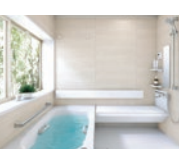
Air-filter Products



SUMITRON®
Continuous Fiber
Made from Recycled
PET bottles



OH TILE Olefin
Flooring Material



Floor Material
for Bathrooms



Kakidanomi
Persimmon Polyphenol
Supplements



At the Vanguard of Lifestyle Creation

Ever since 1891, when its carpets were supplied to the Imperial Diet Building on the occasion of its opening, the Suminoe Textile Group has created comfortable and safe living spaces as a pioneer in the Japanese interiors industry. Currently, our curtains and carpets are primarily marketed by SUMINOE Co., Ltd. and our wallpaper and paper for sliding doors by RUNON CO., LTD. The Suminoe Textile Group is committed to providing environmentally friendly products that feature both excellent design and functionality, and serving diverse customers by offering a wide variety of interior products for public facilities, hotels, schools, hospitals, and office buildings, as well as for general households.

In recent years, we have worked on the production of

eco-friendly products, under the theme of KKR+A, or Kenko (Health), Kankyo (Environment), Recycle and Amenity.

Environmentally Friendly Product at the World's Highest Level

ECOS® is a series of recycled carpet tiles produced using horizontal recycling technology. ECOS® has achieved a post-consumption recycled material usage rate of 84%. Through our proprietary recycling system, recycled materials are created from old carpet tiles.



SUMINOE Co., Ltd.



Roll Carpets



Carpet Tiles

RUNON CO., LTD.



Wallpaper

Suminoe Textile Co., Ltd. Kyoto Traditional Art and Craft Factory



Nishijin Brocade Fabric



Rugs and Mats



Curtains

Tango Textile Co., Ltd.



Plush Hand-woven Curtains



Hand-woven Carpet and Hooked Rugs

Business Overview for the Fiscal Year ended May 31, 2020

Despite successful sales promotion activities for curtains and brisk online sales-related performance, net sales ended at ¥33,300 million (U.S.\$308,341 thousand, down 2.9% year on year) due to the adverse impact of the consumption tax hike and the COVID-19 pandemic. Operating income amounted to ¥472 million (U.S.\$4,372 thousand, up 79.2%) on the back of price revisions and an increase of the percentage of high added value fabric mixtures.

Net sales of commercial carpets were down 5% year on year due to sluggish exports of carpet tiles despite sales for the Japanese market being on a par with the previous year. A decline in orders for roll carpets due to the impact of COVID-19 also affected sales.

Net sales of household carpets were down 16% year on year due to the consumption tax hike and weak store sales owing to the stay-at-home recommendation, despite brisk online sales-related performance in the

fourth quarter.

Although sales of curtains were also weak, net sales grew 3% year on year helped by the effect of sales promotions for *mode S® Vol. 9* and *U Life® Vol. 9* for general households, and *Face*, contract curtains for medical, welfare, and educational institutions. Net sales of wall coverings were flat year on year due to brisk sales of *Runon Fresh Premium* wall coverings.

Prospects for the next fiscal year

The prospects for the next fiscal year are extremely uncertain due to the impact of COVID-19. However, we will focus on the expansion of our product lineup and on product differentiation under the theme of antiviral processing and environmental friendliness, centered on activities to strengthen the appeal of the SUMINOE brand.



Confidence Based on Our Experience as a Pioneer

In 1896, we succeeded in producing hand-woven moquette as a seat covering for the first time in Japan. This domestic moquette was adopted by Japan National Railways (now JR) for its seat coverings in 1899. Since then, we have supplied our products to JR, private railways and publicly operated transportation services, maintaining the top market share for more than a century. Currently, Suminoe Textile offers total proposals for seat coverings, curtains, wall materials, flooring materials and other interior materials for public transportation systems, such as Shinkansen bullet trains and other trains, buses, ships, and aircraft. We also deliver environmentally friendly products, including SUMICUBE® seat cushion material, which excels in terms of both safety and environmental performance.



SUMICUBE®
Seat Cushion Material
East Japan Railway Company: E235 series



Central Japan Railway Company, West Japan Railway Company : Sinkansen N700 series

Our Expertise in Proposing Optimal Solutions as a Total Supplier

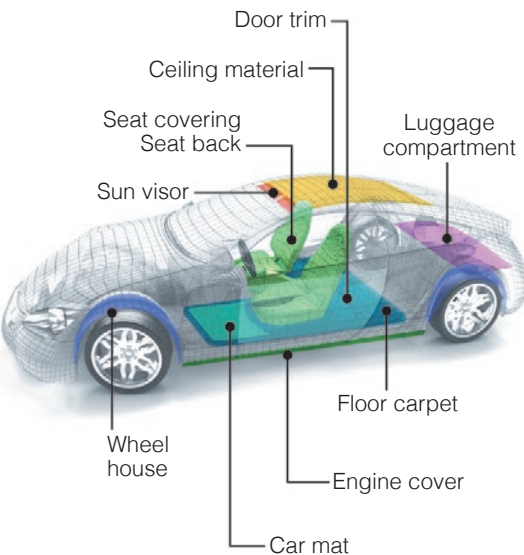
In 1931, Suminoe Textile supplied carpets and seat covering materials for automobiles assembled and manufactured in Japan for Ford Motor Company and General Motors. After World War II, the production of domestic automobiles increased, with our products adopted in these Japanese-made cars one after another.

At present, Suminoe Textile supplies its products to all Japanese automobile manufacturers.

The greatest feature of our Company is that we can supply a total line of automotive textiles, from floors to ceilings, including headliners, seat covering materials, car mats, and floor carpets.

Outside Japan, the Suminoe Textile Group has now expanded its overseas presence by setting up 12 manufacturing and sales sites in six countries (the

United States, Mexico, China, Thailand, Indonesia, and India), aiming at the creation of a globally optimized supply system.



Business Overview for the Fiscal Year ended May 31, 2020

Although the railway-related and bus-related business was robust, net sales and operating income ended at ¥54,075 million (U.S.\$500,702 thousand, down 10.3% year on year) and ¥2,652 million (U.S.\$24,562 thousand, down 34.0%), respectively, on the back of weak global unit sales by Japanese automakers. In the automotive textiles business, sales in Japan were down 13% year on year due to a global decline in global car production on the back of prolonged U.S.-China trade friction and the impact of COVID-19. Overseas sales were down 10% year on year due to a contraction of sales in various areas in the U.S., China, Thailand and India the Company's overseas bases. In the traffic facilities business, although railway-related and bus-related sales have slowed since the COVID-19

pandemic, net sales rose year on year as new vehicle products and repair plans were on a recovery trend in the first half.

Prospects for the next fiscal year

It is expected that the automotive textiles and traffic facilities segments will face a difficult business environment. In the automotive-related segments, we will promote future-oriented development, including the development of interiors for next-generation vehicles, while striving to secure profits. In the traffic facilities segment, we will work to further expand our market share and our sales of functional products.

In Pursuit of Endless Business Possibilities

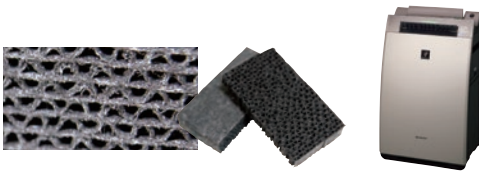
Transcending the boundaries of our traditional business segments, such as interior fittings and automotive textiles and traffic facilities, we have embarked on business targeting other fields and industries. Suminoe Textile has offered products that incorporate the unique technologies we have accumulated, such as *TRIPLE FRESH®* deodorizing filters and olefin bathroom flooring. In addition, the Company offers new value in the field of functional materials (SUMINOE BIOTECH®) based on biotechnology, in keeping with the theme of KKR+A, or Kenko (Health), Kankyo (Environment), Recycle and Amenity.

Tispa Deodorization Related Brand



The Tispa Series, Real Odor Deodorization without Disguising with a Scent, is stationary deodorizers for home use, making use of a deodorant filter.

Air-filter Products



TRIPLE FRESH® Bio is a concept of deodorizing filter where a biomimetic enzyme is invested in to a corrugate carrier. It continuously decomposes and deodorizes unpleasant odor components by oxidation-reduction reaction. This technology is incorporated into deodorizing filters used in air purifiers and other household appliances.

SUMITRON®

Continuous fiber made from recycled PET bottles



Electric Carpet

The main unit is produced by Suzhou Suminoe Textiles Co., Ltd.



Floor Material for Bathrooms

We have developed bath flooring made of eco-friendly olefin materials.



SUMINOE BIOTECH®

Functional materials based on biotechnology, and foods, processed foods, cosmetics, etc., making effective use of these materials.



Business Overview for the Fiscal Year ended May 31, 2020

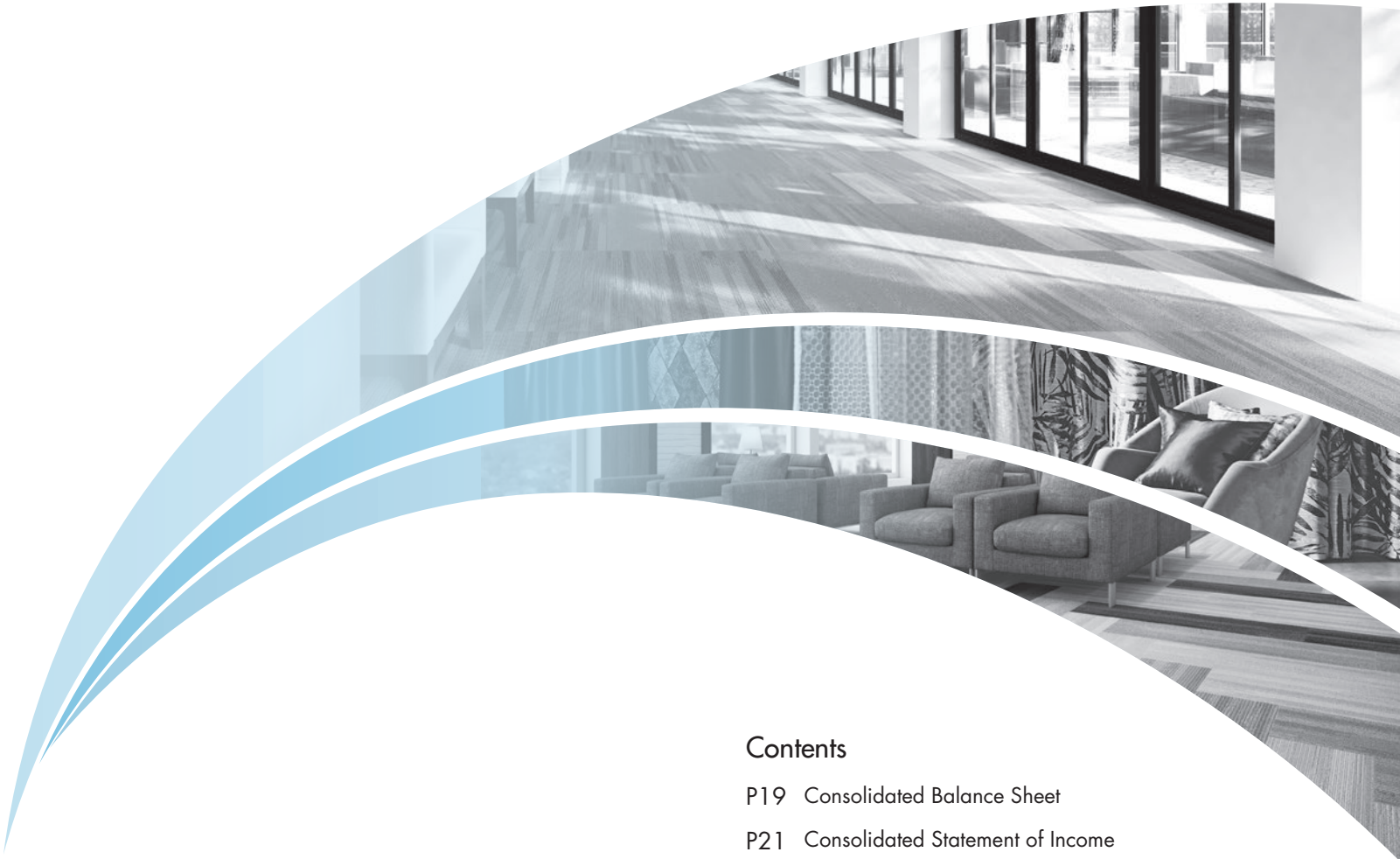
While sales of deodorizing filters installed in consumer electronics, such as fan heaters, and electric carpets, our core, dropped due to the warm winter, an increase in adoption of civil engineering materials and brisk orders for floor materials for bathrooms contributed to net sales, which ended at ¥3,928 million (U.S.\$36,373 thousand, up 1.1% year on year). Operating income ended at ¥79 million (U.S.\$738 thousand, down 57.2%) since the Company recorded expenditure for reorganizing overseas plants.

Prospects for the next fiscal year

Although it is expected that COVID-19 will have a significant impact on our business, we will focus on the full-scale operation of the factory of the Vietnamese subsidiary established last year. We will also work to develop and expand the sales of high value-added products incorporating our deodorizing, antibacterial, and antiviral processing technologies.

Financial Section 2020

Year ended May 31, 2020



Contents

P19 Consolidated Balance Sheet

P21 Consolidated Statement of Income

P22 Consolidated Statement of Comprehensive Income

P23 Consolidated Statement of Changes in Equity

P25 Consolidated Statement of Cash Flows

P27 Notes to Consolidated Financial Statements

P33 Corporate Data

Consolidated Balance Sheet

Suminoe Textile Co., Ltd. and Subsidiaries
As of and for the Year Ended May 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
ASSETS			
CURRENT ASSETS :			
Cash and deposits	¥10,500	¥ 7,880	\$ 97,225
Notes and accounts receivable-trade	14,502	18,180	134,282
Electronically recorded monetary claims - operating	6,469	5,673	59,906
Securities	30	8	281
Merchandise and finished goods	10,422	9,367	96,502
Work in process	1,669	2,011	15,462
Raw materials and supplies	2,847	4,287	26,364
Income taxes receivable	149	166	1,382
Other	2,120	3,092	19,630
Allowance for doubtful accounts	(23)	(29)	(217)
Total current assets	48,688	50,638	450,818
NON-CURRENT ASSETS :			
PROPERTY, PLANT AND EQUIPMENT			
Buildings and structures, net	4,296	4,530	39,782
Machinery, equipment and vehicles, net	3,060	3,136	28,340
Land	17,602	17,611	162,984
Leased assets, net	1,587	562	14,698
Construction in progress	547	121	5,074
Other, net	365	397	3,385
Total property, plant and equipment	27,460	26,361	254,264
INTANGIBLE ASSETS :			
Leased assets	5	1	48
Other	1,593	1,419	14,757
Total intangible assets	1,598	1,421	14,804
INVESTMENTS AND OTHER ASSETS :			
Investment securities	5,987	6,932	55,444
Long-term loans receivable	6	6	58
Deferred tax assets	1,395	1,587	12,921
Other	1,293	1,178	11,973
Allowance for doubtful accounts	(157)	(150)	(1,459)
Total investments and other assets	8,525	9,554	78,937
Total non-current assets	37,584	37,336	348,005
TOTAL ASSETS	¥86,272	¥87,976	\$798,823

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
LIABILITIES AND NET ASSETS			
LIABILITIES :			
CURRENT LIABILITIES:			
Notes and accounts payable-trade	¥13,161	¥15,193	\$121,864
Electronically recorded obligations - operating	5,135	4,425	47,551
Short-term loans payable	10,858	9,755	100,544
Lease obligations	647	495	5,993
Income taxes payable	592	458	5,485
Other	3,473	3,450	32,158
Total current liabilities	33,868	33,779	313,594
NON-CURRENT LIABILITIES :			
Bonds payable	1,500	1,500	13,889
Long-term loans payable	7,825	7,293	72,457
Lease obligations	1,335	660	12,363
Deferred tax liabilities	332	554	3,078
Deferred tax liabilities for land revaluation	3,761	3,761	34,827
Provision for directors' retirement benefit	103	95	954
Net defined benefit liability	4,223	4,303	39,106
Other	741	756	6,863
Total non-current liabilities	19,821	18,924	183,537
Total liabilities	53,690	52,704	497,131
NET ASSETS :			
SHAREHOLDERS' EQUITY:			
Capital stock	9,554	9,554	88,465
Capital surplus	2,651	2,652	24,554
Retained earnings	10,452	10,777	96,781
Treasury shares	(4,017)	(2,423)	(37,195)
Total shareholders' equity	18,641	20,560	172,605
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Valuation difference on available-for-sale securities	1,434	1,913	13,282
Deferred gains or losses on hedging instruments	2	(6)	21
Revaluation reserve for land	7,797	7,797	72,196
Foreign currency translation adjustment	331	601	3,074
Remeasurements of defined benefit plans	(208)	(277)	(1,928)
Total accumulated other comprehensive income	9,357	10,028	86,644
Non-controlling interests	4,583	4,682	42,442
Total net assets	32,582	35,271	301,692
TOTAL LIABILITIES AND NET ASSETS	¥86,272	¥87,976	\$798,823

Consolidated Statement of Income

Suminoe Textile Co., Ltd. and Subsidiaries
As of and for the Year Ended May 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
NET SALES	¥91,512	¥98,617	\$847,335
COST OF SALES	72,837	78,346	674,425
Gross profit	18,674	20,270	172,910
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	17,116	17,151	158,485
Operating income	1,557	3,118	14,425
NON-OPERATING INCOME :			
Interest income	17	13	162
Dividend income	176	182	1,635
Real estate rent	258	252	2,395
Other	263	172	2,440
Total non-operating income	716	621	6,632
NON-OPERATING EXPENSES :			
Interest expenses	274	315	2,543
Sales discounts	46	50	427
Share of loss of entities accounted for using equity method	209	31	1,940
Foreign exchange losses	248	56	2,301
Rent expenses on real estates	32	31	300
Other	139	297	1,290
Total non-operating expenses	950	783	8,801
ORDINARY INCOME	1,323	2,956	12,256
EXTRAORDINARY INCOME :			
Gain on sale of non-current assets	7	13	73
Gain on sale of investment securities	398	13	3,689
Total extraordinary income	406	27	3,762
EXTRAORDINARY LOSS :			
Loss on sale and retirement of non-current assets	66	34	617
Impairment loss	7	527	69
Loss on sale of investment securities	—	164	—
Loss on valuation of investment securities	—	43	—
Total extraordinary loss	74	770	686
Profit before income taxes	1,655	2,212	15,332
INCOME TAXES :			
Current	958	983	8,877
Deferred	146	(50)	1,355
Total income taxes	1,105	933	10,232
PROFIT	550	1,279	5,101
Profit attributable to non-controlling interests	407	812	3,777
Profit attributable to owners of the parent	¥ 142	¥ 467	\$ 1,324

Consolidated Statement of Comprehensive Income

Suminoe Textile Co., Ltd. and Subsidiaries
As of and for the Year Ended May 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
PROFIT	¥ 550	¥1,279	\$ 5,101
OTHER COMPREHENSIVE INCOME			
Valuation difference on available-for-sale securities	(479)	(1,240)	(4,439)
Deferred gains or losses on hedging instruments	13	(2)	126
Foreign currency translation adjustment	(376)	(3)	(3,488)
Remeasurements of defined benefit plans, net of tax	69	(107)	644
Share of other comprehensive income of entities accounted for using equity method	(5)	(15)	(46)
Total other comprehensive income	(777)	(1,369)	(7,204)
COMPREHENSIVE INCOME	¥ (227)	¥ (89)	\$ (2,103)
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ (528)	¥ (897)	\$ (4,890)
Non-controlling interests	300	808	2,787

Consolidated Statements of Changes in shareholders' equity

Suminoe Textile Co., Ltd. and Subsidiaries
As of and for the Year Ended May 31, 2020

	Millions of Yen				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total shareholders' equity
BALANCE, JUNE 1, 2018	¥9,554	¥2,652	¥10,822	¥ (364)	¥22,664
Changes of items during the period					
Dividends of surplus			(512)		(512)
Profit attributable to owners of the parent			467		467
Purchase of treasury shares				(2,058)	(2,058)
Disposition of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	(44)	(2,058)	(2,103)
BALANCE, MAY 31, 2019	9,554	2,652	10,777	(2,423)	20,560
Changes of items during the period					
Dividends of surplus			(468)		(468)
Profit attributable to owners of the parent			142		142
Purchase of treasury shares				(1,601)	(1,601)
Disposition of treasury shares		(0)		7	7
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(0)	(325)	(1,593)	(1,918)
BALANCE, May 31, 2020	¥9,554	¥2,651	¥10,452	¥(4,017)	¥18,641

	Millions of Yen				
	Accumulated Other Comprehensive Income				
	Valuation difference on available-for-sale securities	Deferred gain or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans
BALANCE, JUNE 1, 2018	¥ 3,154	¥11	¥7,797	¥ 600	¥(170)
Changes of items during the period					
Dividends of surplus					
Profit attributable to owners of the parent					
Purchase of treasury shares					
Disposition of treasury shares					
Net changes of items other than shareholders' equity	(1,240)	(17)	—	0	(107)
Total changes of items during the period	(1,240)	(17)	—	0	(107)
BALANCE, MAY 31, 2019	1,913	(6)	7,797	601	(277)
Changes of items during the period					
Dividends of surplus					
Profit attributable to owners of the parent					
Purchase of treasury shares					
Disposition of treasury shares					
Net changes of items other than shareholders' equity	(479)	8	—	(269)	69
Total changes of items during the period	(479)	8	—	(269)	69
BALANCE, May 31, 2020	¥ 1,434	¥ 2	¥7,797	¥ 331	¥(208)

	Millions of Yen		
	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
BALANCE, JUNE 1, 2018	¥11,393	¥4,484	¥38,541
Changes of items during the period			
Dividends of surplus			(512)
Profit attributable to owners of the parent			467
Purchase of treasury shares			(2,058)
Disposition of treasury shares			—
Net changes of items other than shareholders' equity	(1,364)	198	(1,166)
Total changes of items during the period	(1,364)	198	(3,270)
BALANCE, MAY 31, 2019	10,028	4,682	35,271
Changes of items during the period			
Dividends of surplus			(468)
Profit attributable to owners of the parent			142
Purchase of treasury shares			(1,601)
Disposition of treasury shares			7
Net changes of items other than shareholders' equity	(671)	(98)	(769)
Total changes of items during the period	(671)	(98)	(2,688)
BALANCE, May 31, 2020	¥ 9,357	¥4,583	¥32,582

	Thousands of U.S. Dollars (Note 1)				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total shareholders' equity
BALANCE, JUNE 1, 2018					
Changes of items during the period					
Dividends of surplus					
Profit attributable to owners of the parent					
Purchase of treasury shares					
Disposition of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during the period					
BALANCE, MAY 31, 2019	\$88,465	\$24,558	\$99,793	\$(22,443)	\$190,372
Changes of items during the period					
Dividends of surplus			(4,335)		(4,335)
Profit attributable to owners of the parent			1,324		1,324
Purchase of treasury shares				(14,826)	(14,826)
Disposition of treasury shares		(4)		74	70
Net changes of items other than shareholders' equity					
Total changes of items during the period		(4)	(3,011)	(14,752)	(17,767)
BALANCE, May 31, 2020	\$88,465	\$24,554	\$96,781	\$(37,195)	\$172,605

	Thousands of U.S. Dollars (Note 1)				
	Accumulated Other Comprehensive Income				
	Valuation difference on available-for-sale securities	Deferred gain or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans
BALANCE, JUNE 1, 2018					
Changes of items during the period					
Dividends of surplus					
Profit attributable to owners of the parent					
Purchase of treasury shares					
Disposition of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during the period					
BALANCE, MAY 31, 2019	\$17,722	\$(58)	\$72,196	\$ 5,572	\$(2,572)
Changes of items during the period					
Dividends of surplus					
Profit attributable to owners of the parent					
Purchase of treasury shares					
Disposition of treasury shares					
Net changes of items other than shareholders' equity	(4,439)	79	—	(2,498)	644
Total changes of items during the period	(4,439)	79	—	(2,498)	644
BALANCE, May 31, 2020	\$13,282	\$ 21	\$72,196	\$ 3,074	\$(1,928)

	Thousands of U.S. Dollars (Note 1)		
	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
BALANCE, JUNE 1, 2018			
Changes of items during the period			
Dividends of surplus			
Profit attributable to owners of the parent			
Purchase of treasury shares			
Disposition of treasury shares			
Net changes of items other than shareholders' equity			
Total changes of items during the period			
BALANCE, MAY 31, 2019	\$92,858	\$43,355	\$326,585
Changes of items during the period			
Dividends of surplus			(4,335)
Profit attributable to owners of the parent			1,324
Purchase of treasury shares			(14,826)
Disposition of treasury shares			70
Net changes of items other than shareholders' equity	(6,214)	(912)	(7,126)
Total changes of items during the period	(6,214)	(912)	(24,893)
BALANCE, May 31, 2020	\$86,644	\$42,442	\$301,692

Consolidated Statement of Cash Flows

Suminoe Textile Co., Ltd. and Subsidiaries
As of and for the Year Ended May 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income taxes	¥ 1,655	¥ 2,212	\$15,332
Depreciation	2,030	1,769	18,804
Impairment loss	7	527	69
Increase (decrease) in net defined benefit liability	25	81	234
Increase (decrease) in provision for directors' retirement benefits	7	(287)	71
Increase (decrease) in allowance for doubtful accounts	0	14	6
Increase (decrease) in provision for loss on litigation	—	38	—
Interest and dividend income	(194)	(196)	(1,797)
Interest expenses	274	315	2,543
Share of loss (profit) of entities accounted for using equity method	209	31	1,940
Loss (gain) on sale and retirement of non-current assets	58	21	544
Loss (gain) on sale of investment securities	(398)	151	(3,689)
Loss (gain) on valuation of investment securities	—	43	—
Decrease (increase) in notes and accounts receivable - trade	2,551	(769)	23,622
Decrease (increase) in inventories	529	1,076	4,900
Increase (decrease) in notes and accounts payable - trade	(1,024)	253	(9,483)
Decrease (increase) in consumption taxes refund receivable	(54)	(5)	(508)
Increase (decrease) in accrued consumption taxes payable	93	(56)	862
Decrease (increase) in other current assets	1,146	343	10,620
Increase (decrease) in other current liabilities	27	622	259
Other	(132)	344	(1,230)
Subtotal	6,814	6,533	63,098
Interest and dividend income received	194	265	1,797
Interest expenses paid	(275)	(317)	(2,549)
Payments for loss on litigation	—	(533)	—
Income taxes paid	(1,005)	(1,284)	(9,306)
Income taxes refund	173	96	1,607
Net cash provided by (used in) operating activities	5,901	4,760	54,646

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments into time deposits	(300)	(245)	(2,782)
Proceeds from withdrawal of time deposits	275	240	2,547
Purchase of securities	(39)	(25)	(363)
Proceeds from sale and redemption of securities	20	30	189
Purchase of property, plant and equipment	(1,535)	(1,105)	(14,219)
Proceeds from sale of property, plant and equipment	83	29	772
Purchase of intangible assets	(434)	(511)	(4,023)
Purchase of investment securities	(17)	(372)	(161)
Proceeds from sale and redemption of investment securities	379	512	3,513
Proceeds from shares of subsidiaries resulting in change in scope of consolidation	32	—	305
Payments of loans receivable	(2)	(2)	(26)
Collection of loans receivable	2	2	24
Net cash provided by (used in) investing activities	(1,536)	(1,448)	(14,223)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term loans payable	1,061	(4,194)	9,827
Proceeds from long-term loans payable	2,200	3,700	20,370
Repayments of long-term loans payable	(1,546)	(1,642)	(14,316)
Proceeds from issuance of bonds	—	964	—
Repayments of lease obligations	(895)	(601)	(8,289)
Purchase of treasury shares	(1,601)	(2,058)	(14,826)
Cash dividends paid	(468)	(511)	(4,341)
Cash dividends paid to non-controlling interests	(451)	(620)	(4,185)
Net cash provided by (used in) financing activities	(1,702)	(4,964)	(15,759)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(109)	(3)	(1,010)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,554	(1,656)	23,653
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,754	9,411	71,803
CASH AND CASH EQUIVALENTS AT END OF PERIOD	¥10,309	¥ 7,754	\$ 95,455

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Suminoe Textile Co., Ltd. (the “Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”).

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2019 consolidated financial statements to conform to the classifications used in 2020.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108 to \$1, the approximate rate of exchange at May 31, 2020. Such translation should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Each amount of the accompanying consolidated financial statements is rounded down to the nearest one million yen or rounded off to the nearest one thousand U.S. dollar, unless otherwise indicated. Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation - The accompanying consolidated financial statements as of and for the year ended May 31, 2020 include the accounts of the Company and all of its wholly-owned and majority-owned subsidiaries (collectively, the “Group”).

Under the control and influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

Investments in two associated companies have been accounted for using the equity method.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over a period not exceeding 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated. Among consolidated subsidiaries, certain domestic and foreign subsidiaries have different fiscal year-ends from the Company's fiscal year-end, May 31. Those companies which fiscal year-end is March 31, the financial statements of these subsidiaries as of and for the year ended March 31 were used in preparing the accompanying consolidated financial statements. Those companies which fiscal year-end is September 30 or December 31, the financial statements of these subsidiaries as of and for the period ended March 31 or April 30, as available, were used in preparing the accompanying consolidated financial statements. All material transactions which occurred during the periods from their respective fiscal year-ends to May 31 have been accounted for in the consolidation process.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements - Under Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements”, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or generally accepted accounting principles in the United States of America (“U.S. GAAP”) tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (3) expensing capitalized development costs of research and development (“R&D”); and (4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of cost model of accounting.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for Using the Equity Method - ASBJ Statement No. 16, “Accounting Standard for Equity Method of Accounting for Investments,” requires adjustments to be made to conform the associates’

accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or U.S. GAAP tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (3) expensing capitalized development costs of R&D; and (4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

d. Business Combinations - Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

3. SEGMENT INFORMATION

Under ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures,” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures”, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are components for which separate financial information is available and whose operating results are reviewed regularly by the Board of Directors in order to determine allocation of resources and assess segment performance. The Group is organized by business operating units and subsidiaries, which are separated based on the products and services they provide. Each of these units and subsidiaries plan comprehensive strategies for business and perform business activities. Therefore, based on these business operating units and also taking into account the types of products and the similarities in markets, the reportable segments of the Group are divided into three segments: “Interior Fittings”, “Automotive Textiles and Traffic Facilities”, and “Functional Materials”. The Interior Fittings segment includes manufacturing and selling carpets, curtains, wallpaper and other flooring materials. The Automotive Textiles and Traffic Facilities segment includes manufacturing and selling interior materials for automobiles, trains, buses, ships and other conveyances. The Functional Materials segment includes manufacturing and selling electric heated carpets, interior materials for aircraft and related products, such as deodorizers and processing of silicon wafers for solar cells.

(2) Methods of Measurement for the Amounts of Sales, Profit, Assets and Other Items for Each Reportable Segment

The accounting policies of the segments are substantially the same as those used in preparing the accompanying consolidated financial statements. The profits of reportable segments correspond to operating income. The intersegment sales or transfers are based on actual market prices.

(3) Information about Sales, Profit, Assets, and Other Items by Reportable Segment

	Millions of Yen			
	2020			
	Reportable Segments			
	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total
Net sales :				
Net sales to outside customers	¥33,300	¥54,075	¥3,928	¥91,304
Inter-segment sales and transfers	663	5	1	669
Total	¥33,964	¥54,081	¥3,929	¥91,974
Segment income	¥472	¥ 2,652	¥79	¥ 3,204
Segment assets	25,974	35,050	2,709	63,734
Other :				
Depreciation and amortization	314	1,445	97	1,858
Investment in equity method affiliates	—	266	—	266
Increase in property, plant, and equipment, and intangible assets	220	2,418	630	3,270

	Millions of Yen			
	2019			
	Reportable Segments			
	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total
Net sales :				
Net sales to outside customers	¥34,282	¥60,304	¥3,887	¥98,473
Inter-segment sales and transfers	724	7	2	733
Total	¥35,006	¥60,311	¥3,889	¥99,206
Segment income	¥ 263	¥ 4,018	¥ 186	¥ 4,467
Segment assets	25,111	38,270	2,203	65,584
Other :				
Depreciation and amortization	320	1,193	77	1,590
Investment in equity method affiliates	—	481	—	481
Increase in property, plant, and equipment, and intangible assets	185	1,482	34	1,701

	Thousands of U.S. Dollars			
	2020			
	Reportable Segments			
	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total
Net sales :				
Net sales to outside customers	\$308,341	\$500,702	\$36,373	\$845,416
Inter-segment sales and transfers	6,143	51	10	6,204
Total	\$314,483	\$500,753	\$36,383	\$851,619
Segment income	\$ 4,372	\$ 24,562	\$ 738	\$ 29,672
Segment assets	240,507	324,539	25,089	590,135
Other :				
Depreciation and amortization	2,915	13,388	907	17,210
Investment in equity method affiliates	—	2,463	—	2,463
Increase in property, plant, and equipment, and intangible assets	2,045	22,395	5,839	30,279

	Millions of Yen			
	2020			
	Other (Note 1)	Total	Adjustment (Note 2)	Figures in consolidated financial statements (Note 3)
	¥207	¥91,512	—	¥91,512
	168	838	¥ (838)	—
	¥375	¥92,350	¥ (838)	¥91,512
	¥ 43	¥ 3,247	¥ (1,690)	¥ 1,557
	584	64,318	21,954	86,272
	25	1,883	147	2,030
	—	266	—	266
	28	3,298	217	3,516

	Millions of Yen			
	2019			
	Other (Note 4)	Total	Adjustment (Note 5)	Figures in consolidated financial statements (Note 6)
	¥144	¥98,617	—	¥98,617
	172	905	¥ (905)	—
	¥316	¥99,522	¥ (905)	¥98,617
	¥ 79	¥ 4,546	¥ (1,428)	¥ 3,118
	423	66,007	21,969	87,976
	25	1,615	154	1,769
	—	481	—	481
	24	1,725	(42)	1,683

	Thousands of U.S. Dollars			
	2020			
	Other (Note 7)	Total	Adjustment (Note 8)	Figures in consolidated financial statements (Note 9)
	\$1,919	\$847,335	—	\$847,335
	1,556	7,760	\$ (7,760)	—
	\$3,476	\$855,095	\$ (7,760)	\$847,335
	\$ 402	\$ 30,074	\$ (15,649)	\$ 14,425
	5,408	595,544	203,279	798,823
	232	17,442	1,362	18,804
	—	2,463	—	2,463
	264	30,543	2,016	32,558

Note 1
Other represents segments that are not included in any other reportable segments, such as physical property and performance inspection.

Note 2
Adjustments are as follows:
1) Adjustment of ¥(1,690) million recorded for segment income for the year ended May 31, 2020 includes elimination of intersegment transactions of ¥28 million and corporate expenses of ¥(1,718) million that are not allocated to relevant reportable segments. Unallocated corporate expenses mainly consist of expenses for the administrative and R&D divisions that do not belong to any reportable segment.
2) Adjustment of ¥21,954 million recorded for segment assets for the year ended May 31, 2020 includes elimination of intersegment transactions of ¥(251) million and corporate assets of ¥22,205 million that are not allocated to relevant reportable segments. Unallocated corporate assets mainly consist of investment of surplus funds (cash and deposits), long-term investment (investment securities), and assets related to the administrative division that do not belong to any reportable segment.

Note 3
Segment income is adjusted with operating income in the accompanying consolidated statements of income.

Note 4
Other represents segments that are not included in any other reportable segments, such as the physical property and performance inspection.

Note 5
Adjustments are as follows:
1) Adjustment of ¥(1,428) million recorded for segment income for the year ended May 31, 2019 includes elimination of intersegment transactions of ¥24 million and corporate expenses of ¥(1,452) million that are not allocated to relevant reportable segments. Unallocated corporate expenses mainly consist of expenses for the administrative and R&D divisions that do not belong to any reportable segment.
2) Adjustment of ¥21,969 million recorded for segment assets for the year ended May 31, 2019 includes elimination of intersegment transactions of ¥(265) million and corporate assets of ¥22,234 million that are not allocated to relevant reportable segments. Unallocated corporate assets mainly consist of investment of surplus funds (cash and deposits), long-term investment (investment securities), and assets related to the administrative division that do not belong to any reportable segment.

Note 6
Segment income is adjusted with operating income in the accompanying consolidated statements of income.

Note 7
Other represents segments that are not included in any other reportable segments, such as the physical property and performance inspection.

Note 8
Adjustments are as follows:
1) Adjustment of \$(15,649) thousand recorded for segment income for the year ended May 31, 2020 includes elimination of intersegment transactions of \$265 thousand and corporate expenses of \$(15,914) thousand that are not allocated to relevant reportable segments. Unallocated corporate expenses mainly consist of expenses for the administrative and R&D divisions that do not belong to any reportable segment.
2) Adjustment of \$203,279 thousand recorded for segment assets includes elimination of intersegment transactions of \$(2,332) thousand and corporate assets of \$205,611 thousand that are not allocated to relevant reportable segments. Unallocated corporate assets mainly consist of investment of surplus funds (cash and deposits), long-term investment (investment securities), and assets related to the administrative division that do not belong to any reportable segment.

Note 9
Segment income is adjusted with operating income in the accompanying consolidated statements of income.

(4) Information about Geographical Areas

	Millions of Yen				
	2020				
	Japan	North and Central America (U.S.A.)	Asia	Other	Total
For the year ended May 31, 2020					
Sales to customers	¥61,832	¥14,049 (9,947)	¥15,339	¥289	¥91,512
Property, plant and equipment	22,396	3,552	1,511		27,460

	Millions of Yen				
	2019				
	Japan	North and Central America (U.S.A.)	Asia	Others	Total
For the year ended May 31, 2019					
Sales to customers	¥65,589	¥ 14,869 (11,859)	¥17,901	¥258	¥98,617
Property, plant and equipment	22,538	2,897	926		26,361

	Thousands of U.S. Dollars				
	2020				
	Japan	North and Central America (U.S.A.)	Asia	Other	Total
For the year ended May 31, 2020					
Sales to customers	\$572,528	\$130,090 (92,110)	\$142,034	\$2,683	\$847,335
Property, plant and equipment	207,371	32,896	13,996		254,264

(5) Information about Impairment on Non-Current Assets by Reportable Segment

	Millions of Yen						
	2020						
	Reportable Segments				Other	Eliminations or Corporate	Total
For the year ended May 31, 2020	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total			
	—	¥7	—	¥7	—	—	¥7

	Millions of Yen						
	2019						
	Reportable Segments				Others	Eliminations/ Corporate	Total
For the year ended May 31, 2019	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total			
	—	¥527	—	¥527	—	—	¥527

	Thousands of U.S. Dollars						
	2020						
	Reportable Segments				Other	Eliminations/ Corporate	Total
For the year ended May 31, 2020	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total			
		\$69		\$69			\$69

4.PER SHARE INFORMATION

The basis of computing basic earnings per share (“EPS”) for the years ended May 31, 2020 and 2019 were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Profit Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
For the year ended May 31, 2020				
Basic EPS – Profit attributable to common shareholders	142	6,535	21.88	0.20

	Millions of Yen	Thousands of Shares	Yen
	Profit Attributable to Owners of the Parent	Weighted-Average Shares	EPS
For the year ended May 31, 2019			
Basic EPS – Profit attributable to common shareholders	467	7,147	65.36

Note:
Diluted earnings per share is not presented as there were no dilutive securities for the year ended May 31, 2020. Treasury shares held by the Company are not included in the number of shares of common stock and the weighted-average number of shares used for computation of the basic EPS and net assets per share. The number of treasury shares excluded from the calculation of basic EPS were 1,147 thousand and 535 thousand for the years ended May 31, 2020 and 2019, respectively. The number of such shares for the calculation of net assets per share were 1,373 thousand and 837 thousand as of May 31, 2020 and 2019, respectively.

Net assets per share as of May 31, 2020 and 2019 were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Assets Attributable to Owners of the Parent	Common Shares	Net Assets per Share	
As of May 31, 2020				
Net assets per share	27,998	6,308	4,438.11	41.09

	Millions of Yen	Thousands of Shares	Yen
	Net Assets Attributable to Owners of the Parent	Common Shares	Net Assets per Share
As of May 31, 2019			
Net assets per share	30,588	6,844	4,469.04

Company Network

(as of May 31, 2020)

Offices

Head Office, Osaka Branch & Osaka Showroom
11-20, Minami-Semba 3-Chome,
Chuo-ku, Osaka 542-8504
Phone: +81-6-6251-6801
Fax: +81-6-6251-0862

Tokyo Branch & Tokyo Showroom
BR Gotanda-Building, 30-4,
Nishi-Gotanda 2-Chome,
Shinagawa-ku, Tokyo 141-0031
Phone: +81-3-5434-2860
Fax: +81-3-5434-6542

Sales Offices

Sapporo, Sendai, Saitama, Chiba,
Yokohama, Shizuoka, Kanazawa,
Nagoya, Kyoto, Kobe, Okayama,
Hiroshima, Fukuoka

Factories

Nara, Shiga, Kyoto, Aichi, Ishikawa

R&D Center

11-20, Minami-Semba 3-Chome,
Chuo-ku, Osaka 542-8504
Phone: +81-6-6251-6839
Fax: +81-6-6251-6868

Technical Center

Kubota, Ando-cho, Ikoma-gun,
Nara 639-1064
Phone: +81-743-57-5441
Fax: +81-743-57-6410

Subsidiaries

Japan

SUMINOE Co., Ltd.
RUNON CO., LTD.
SUMINOE LOGISTICS Co., Ltd.
Suminoe Works Co., Ltd.
Sewing Hyogo Co., Ltd.
Suminoe Teijin Techno Co., Ltd.
Marunaka Souei Co., Ltd.
Suminoe Techno Co., Ltd.
Tango Textile Co., Ltd.
Teijin Tecloth Ltd.
Owari Seisen Co., Ltd.
Kansai Laboratory Co., Ltd.
INTECH CO., LTD.

Subsidiaries

USA

Suminoe Textile of America Corporation
Bondtex, Inc.

Mexico

Suminoe Textile de Mexico, S.A. de C.V.

China

SPM Automotive Textile Co., Ltd.
Suzhou Suminoe Koide Automotive
Accessories Co., Ltd.
Suminoe Textile Shanghai Co., Ltd.
Suzhou Suminoe Textiles Co., Ltd.

Thailand

T.C.H. Suminoe Co., Ltd.
Suminoe Koide (Thailand) Co., Ltd.

Indonesia

PT. Suminoe Surya Techno
PT. Sinar Suminoe Indonesia

India

Suminoe Teijin Techno Krishna India Pvt. Ltd.

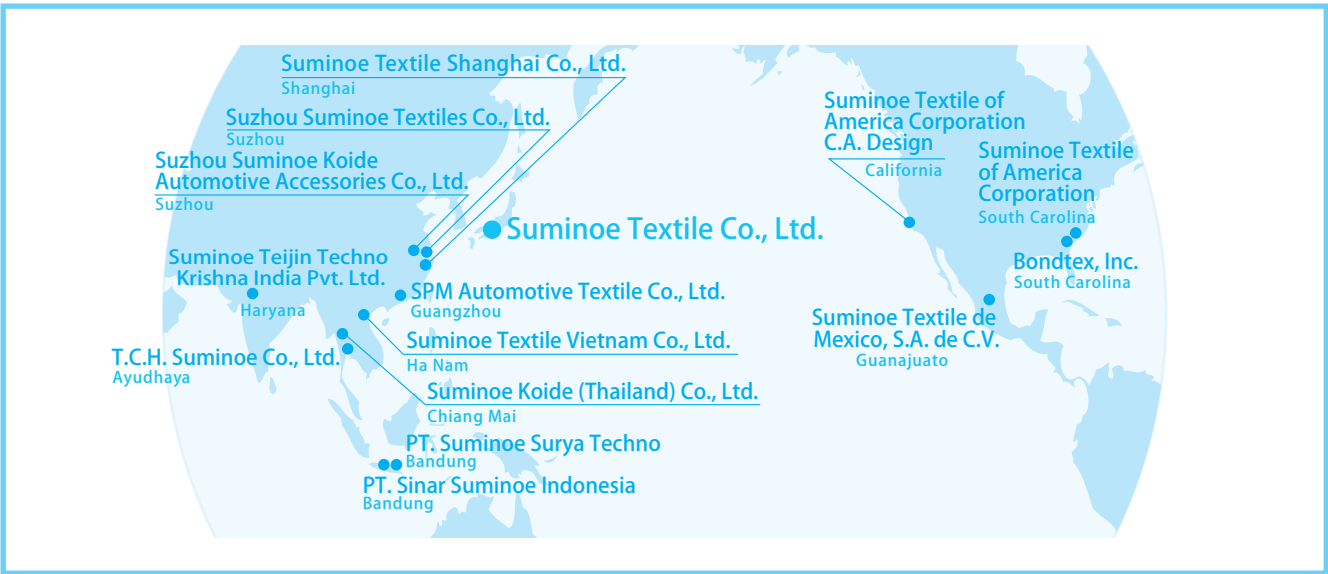
Vietnam

Suminoe Textile Vietnam Co., Ltd.

Associated Companies

Japan

Sumisho Airbag Systems Co., Ltd.
KST Co., Ltd.



Board of Directors and Corporate Auditors

(as of August 28, 2020)

Chairman and President

Ichizo Yoshikawa (Representative Director)

Senior Managing Directors

Yoshiaki Tanihara (Representative Director)
Hitoshi Iida (Representative Director)

Directors

Teppei Nagata
Hiroaki Usugi
Haruo Shimizu
Takashi Yokota
Kohei Nomura

Corporate Auditors

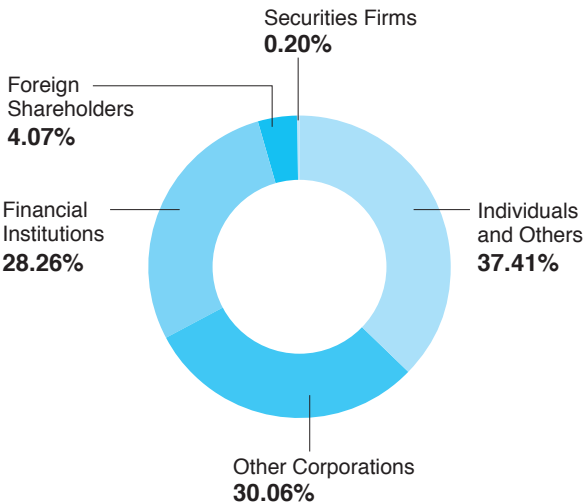
Kiyokazu Ichikawa
Atsuhiko Sonoda
Takafumi Katayama

Investor Information

(as of May 31, 2020)

Founded:	1883
Incorporated:	December 25, 1913 (Suminoe Textile Joint-Stock Company)
Change of Organization:	December 26, 1930 (Suminoe Textile Co., Ltd.)
Capital:	¥9,554,173,950
Authorized Shares:	30,000,000
Issued Shares:	7,682,162
Shareholders:	4,035
Employees:	267 (Parent Company) 2,822 (Consolidated Basis)

Composition of Shareholders :



Major Shareholders:

(as of May 31, 2020)

Name	Number of Shares (Thousands)	Percentage of Total Shares Outstanding
Takashimaya Company, Limited	924	14.66
Nippon Life Insurance Company	501	7.96
Marubeni Corporation	366	5.81
Mizuho Bank, Ltd.	234	3.72
HAYASHI TELEMPU HOLDINGS CORPORATION	233	3.69
The Master Trust Bank of Japan, Ltd. (Trust account)	233	3.69
The Master Trust Bank of Japan, Ltd. (as trustee for Retirement Benefit Trust of UNITIKA LTD.)	178	2.83
MUFG Bank, Ltd.	174	2.76
DFA INTL SMALL CAP VALUE PORTFOLIO	157	2.50
Suminoe Textile Kyoekai	136	2.16