



## Consolidated Financial Results for the Third Quarter of Fiscal Year 2021 (Japanese GAAP)

April 13, 2021

Listed company name Suminoe Textile Co., Ltd. Listed on the Tokyo Stock Exchange  
Code number 3501 URL: <https://suminoe.co.jp/>  
Representative (Title) Chairman and President (Name) Ichizo Yoshikawa  
Responsible contact person (Title) Director, General Manager, Corporate Planning Department (Name) Hiroaki Usugi  
(Phone) +81-6-6251-6803  
Scheduled date of filing of quarterly report: April 13, 2021 Scheduled date of dividend payment: —  
Preparation of supplementary explanatory documents for quarterly financial results: No  
Holding analyst meeting for quarterly financial results: No

(Amounts are rounded down to the nearest million yen) (Figures in brackets are negative)

### 1. Consolidated Financial Results for the 3rd Quarter of FY2021 (June 1, 2020 to February 28, 2021)

#### (1) Consolidated Operating Results (accumulation) (% change from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q3 of FY ending May 31, 2021	58,402	(17.6)	608	(50.3)	669	(45.2)	512	90.8
Q3 of FY ended May 31, 2020	70,889	(3.9)	1,226	(38.7)	1,222	(32.3)	268	11.0

(Note) Comprehensive income Q3 of FY ending May 31, 2021: 409 million yen (3.3 %)  
Q3 of FY ended May 31, 2020: 396 million yen (— %)

	Profit per share Basic	Profit per share Diluted
	Yen	Yen
Q3 of FY ending May 31, 2021	81.14	—
Q3 of FY ended May 31, 2020	40.68	—

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q3 of FY ending May 31, 2021	88,761	32,701	31.3
FY2020	86,272	32,582	32.5

(Reference) Shareholders' equity Q3 of FY ending May 31, 2021: 27,826 million yen FY2020: 27,998 million yen

### 2. Dividend Information

	First quarter	Second quarter	Third quarter	End of the year	Annual
	Yen	Yen	Yen	Yen	Yen
FY2020	—	35.00	—	15.00	50.00
FY2021	—	15.00	—	—	—
FY2021 (Forecast)	—	—	—	20.00	35.00

(Note) Revision of the latest dividend forecast: No

### 3. Forecast of Consolidated Financial Results for FY2021 (June 1, 2020 to May 31, 2021)

(% change from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share Basic
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	81,400	(11.1)	868	(44.3)	860	(35.0)	300	109.8	47.50

(Note) Revision of the latest forecasts of operational results: Yes

#### \*Notes

(1) Major changes in significant consolidated subsidiaries during the period (changes in specified subsidiaries accompanying change in the scope of consolidation): No

(2) Adoption of special accounting methods for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, financial estimates and restatements

- (i) Changes in accounting policies due to revisions of accounting standards: No
- (ii) Changes in accounting policies other than (i) above: No
- (iii) Changes in financial estimates: No
- (iv) Restatements of financial statements: No

(4) Number of shares issued (common stock)

- (i) Number of shares issued at the end of the period (including treasury stock)
- (ii) Number of treasury shares at the end of the period
- (iii) Average number of shares outstanding during the period (quarterly consolidated cumulative period)

Q3 of FY2021	7,682,162 shares	FY2020	7,682,162 shares
Q3 of FY2021	1,363,678 shares	FY2020	1,373,422 shares
Q3 of FY2021	6,314,618 shares	Q3 of FY2020	6,602,994 shares

(Note) The summary of quarterly financial results is outside the scope of quarterly review by a certified public accountant or an accounting firm.

(Note) Explanation on the appropriate use of forecasts and other special issues

(Note on the forward-looking statements)

The forward-looking statements in this document concerning forecasts of performance, etc. are based on currently available information, and contain uncertain factors. The actual performance may be significantly different from the forecasts due to various factors.

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## 1. Qualitative information for the third quarter of the fiscal year under review

### (1) Explanation of business results

During the third quarter of the consolidated fiscal year under review, though the Japanese economy showed signs of recovery from the recession caused by the novel coronavirus (COVID-19) pandemic, against the backdrop of a third COVID-19 surge, a state of emergency was declared and consumption slowed. In the global economy, the Chinese economy recovered ahead of other regions, and sentiment improved in the United States as well, supported by the start of the new Biden administration and the rollout of the vaccine.

In the interior industry, which relates to the Company's business, domestic new housing starts were down 8.2% year on year, and the floor area of nonresidential construction starts also decreased by 9.6% year on year. In the automotive industry, automobile production in the Japanese market was down 9.5% year on year. Both production and sales also stagnated in overseas markets, falling short of those in the same period of the previous fiscal year.

In the above-described business environment, the Group is promoting market development of ESG-based products and global management, which the Group has been working on, while implementing measures to prevent the spread of COVID-19, such as improving the working environment by securing the safety and security of employees.

In the Interior Fittings Segment, the Company endeavors to increase sales of products processed with antibacterial and antiviral technology called *CLEANSE*® and other health-conscious and environment-friendly products, including *ECOS*®, eco-friendly carpet tiles under the horizontal recycling system. In addition, we will strive to expand our business domain from the manufacturing and sale of interior materials to space design, and further to the store field.

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.

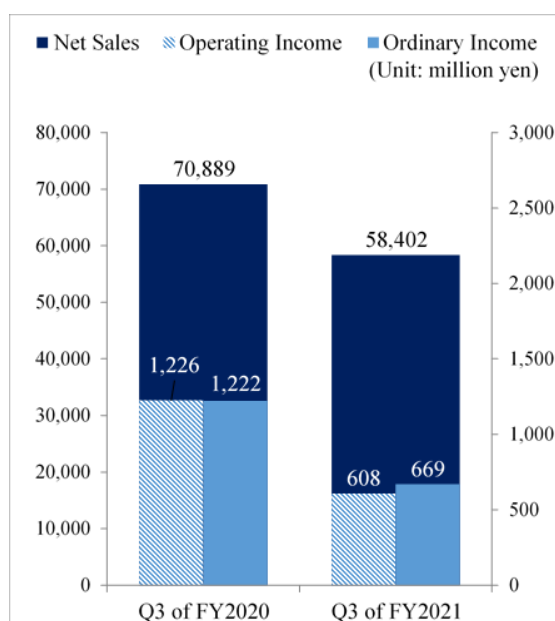
While in the traffic facilities business, the Company manufactures and distributes high-performance fabric materials and endeavors to increase sales of seat cushion materials and safety products for railway vehicles and buses. In both the automotive textiles business and the traffic facilities business, our processing technologies accumulated in the Interior Fitting Segment including antibacterial and antiviral effects are applied to the product development.

In the Functional Materials Segment, the Company established a new sales and distribution base for fabric-coated electric heating products in Vietnam in 2019. We will diversify regional risks and establish an optimal supply system. Furthermore, our focus is placed on the development and sale of products processed with our original complex function processing technology called *TRIPLE FRESH*® *DEO*, which provides deodorizing, antibacterial, antiviral and anti-allergen functions.

For the entire Group, we are working on reconstructing our core system and raising the accuracy of our consolidated performance management, in order to upgrade our business management structure. We have been working steadily on building a foundation for business growth.

Presently, a cross-business project has been established. Gathering the strengths of each business field such as the design capability of the Interior Fittings Segment, the processing technology for fabric materials used in the Automotive Textiles and Traffic Facilities Segment, and high-function technologies including the deodorizing, antibacterial and antiviral capabilities of the Functional Materials Segment, the Company engages in the development of next-generation interior fittings, which will be required for our living spaces in the future.

Under these circumstances, our consolidated quarterly results for the third quarter of this fiscal year are as follows.

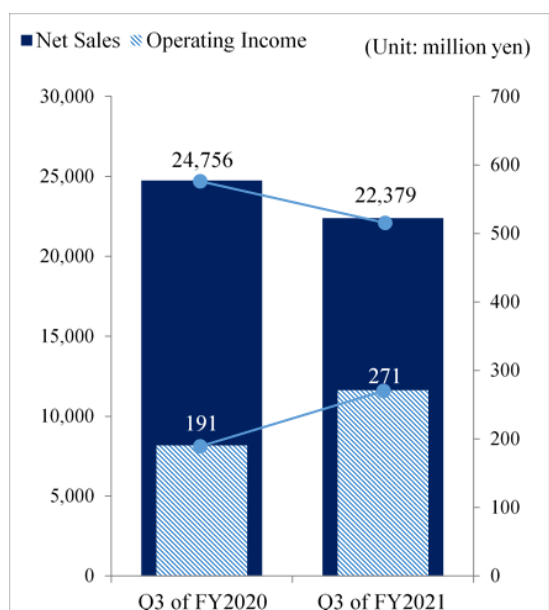


Net sales declined 17.6% year on year to 58,402 million yen attributable to lackluster sales of commercial carpet tiles and wall coverings and a drop in domestic and overseas automobile-related sales due to the impact of the global economic slowdown. As to profits, operating income declined 50.3% year on year to 608 million yen, ordinary income declined 45.2% year on year to 669 million yen, and income attributable to owners of parent increased 90.8% year on year to 512 million yen due to the impacts of recognition of gain on sales of investment securities, loss on retirement of non-current assets and impairment loss as extraordinary income/loss.

The performance by segment is as described below.

Segments	Net sales		Operating income (loss)	
	Amount (Million yen)	YY Change (%)	Amount (Million yen)	YY Change (%)
Interior Fittings	22,379	(9.6)	271	+42.1
Automotive Textiles and Traffic Facilities	33,164	(22.1)	1,487	(30.4)
Functional Materials	2,528	(26.3)	(17)	—
Other	330	+208.2	60	+374.3
Total	58,402	(17.6)	1,802	(28.1)
Adjustment	—	—	(1,193)	—
Consolidated	58,402	(17.6)	608	(50.3)

(Interior Fittings Segment)



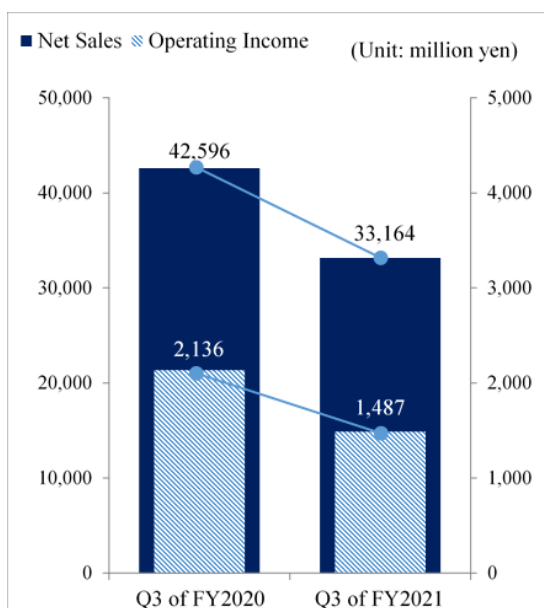
While sales of household carpets for online and retail stores were robust, sales of commercial carpet tiles and wall coverings were sluggish. As a result, net sales declined 9.6% year on year to 22,379 million yen, and operating income increased 42.1% year on year to 271 million yen due to the impacts of a reduction in selling, general and administrative expenses and household carpet sales.

Regarding commercial carpets, sales of roll carpets increased thanks to orders for large-scale projects. However, sales of carpet tiles, those for export in particular, remained significantly weak due to the impact of lockdowns on economic activities. Consequently, net sales of commercial carpets as a whole declined 7.4% year on year.

Net sales of household carpets increased by 11.0% year on year reflecting robust sales for online under the stay-at-home restriction, and strong sales mainly at DIY stores due to a rebound in consumption after the restriction was lifted. Regarding curtains, while sales of *mode S® Vol. 9* and *U Life® Vol. 9* for general households were subdued, sales of *Face* for medical, welfare, and educational institutions recovered due to the resumption of new deliveries and replacement work that had been postponed to prevent the spread of COVID-19. Accordingly, net sales of curtains as a whole declined 3.4% year on year.

Net sales of wall coverings were down 16.5% year on year owing to the decrease in sales of wallpaper attributable to the decline in demand for new construction and refurbishments for houses, stores, hospitals, and hotels due to the COVID-19 pandemic.

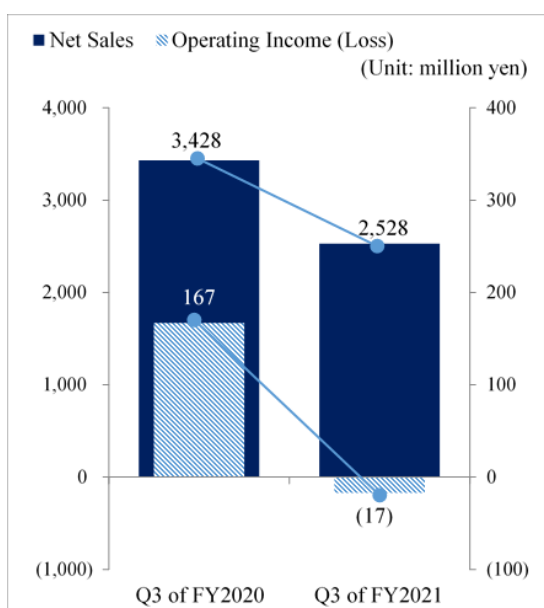
(Automotive Textiles and Traffic Facilities Segment)



Net sales were down 22.1% year on year to 33,164 million yen and operating income declined 30.4% year on year to 1,487 million yen on the back of decline of global car production by Japanese automakers and a sluggish demand for interior materials for railway vehicles and buses. In the automotive textiles business, a decline in car production by Japanese automakers was observed due to sluggish economic activity attributable to the COVID-19 pandemic. Domestic automobile production recovered in September 2020 to the same level as September of the previous year and the recovery trend continued thereafter. However, domestic sales declined 12.7% year on year. Additionally, regarding overseas markets, though there were regional differences, production volumes were consistently on a recovery trend, with China, in particular, continuing to demonstrate a steady recovery. However, the impact of decline in sales due to global lockdowns was large. Overseas sales therefore declined 26.7% year-on-year.

In the traffic facilities business, demand for interior fittings for railway vehicles dropped due to fewer passengers on public transportation attributable to the promotion of telework. Furthermore, new bus production volume plunged due to significantly diminished domestic travel and inbound foreign tourists. As a result, net sales for the traffic facilities business as a whole fell below the level of the same period of the previous year.

(Functional Materials Segment)



While sales of deodorant filters for air purifiers and floor materials for bathrooms grew steadily, new orders received in the current fiscal period for electric carpets, one of our core products, plummeted due to the warm winter in the previous fiscal period. Net sales declined 26.3% year on year to 2,528 million yen, and operating loss was 17 million yen (operating income of 167 million yen in the same period of the previous year), reflecting sluggish sales of roofing materials, civil engineering materials, interior materials for airplanes, *SUMITRON*®, a continuous polyester fiber yarn, and others due to the impact of the COVID-19 pandemic.

## (2) Explanation of financial position

Total assets at the end of the consolidated fiscal period under review amounted to 88,761 million yen, an increase of 2,488 million yen from the end of the previous consolidated fiscal year, due to an increase in cash and deposits and notes and accounts receivable-trade despite a decrease in inventories and investment securities.

Liabilities grew to 56,059 million yen, an increase of 2,369 million yen, due to an increase in loans payable and notes and accounts payable-trade.

Net assets grew to 32,701 million yen, an increase of 118 million yen, due to an increase in retained earnings despite a decrease in valuation difference on available-for-sale securities.

## (3) Explanation of future forecast information including forecast of consolidated business results

Considering the current trend in business performance, the Company has revised the forecasts of consolidated business results for the full year of the fiscal year ending May 31, 2021 announced on January 14, 2021. For details, please refer to the “Notice Concerning the Revision of Forecasts of Business Results” announced today. (The notice is available only in Japanese.)



## 2. Consolidated quarterly financial statements and major notes

### (1) Consolidated quarterly balance sheet

(Unit: million yen)

	FY2020 (As of May 31, 2020)	Q3 of FY2021 (As of February 28, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	10,500	14,168
Notes and accounts receivable-trade	14,502	14,859
Electronically recorded monetary claims - operating	6,469	7,619
Merchandise and finished goods	10,422	8,764
Work in process	1,669	1,488
Raw materials and supplies	2,847	2,699
Others	2,299	2,752
Allowance for doubtful accounts	(23)	(23)
<b>Total current assets</b>	<b>48,688</b>	<b>52,329</b>
Non-current assets		
Property, plant and equipment		
Land	17,602	17,591
Other, net	9,858	9,276
<b>Total property, plant and equipment</b>	<b>27,460</b>	<b>26,868</b>
Intangible assets		
Investments and other assets		
Investment securities	5,987	4,966
Deferred tax assets	1,395	1,756
Other	1,299	1,442
Allowance for doubtful accounts	(157)	(163)
<b>Total investments and other assets</b>	<b>8,525</b>	<b>8,001</b>
<b>Total non-current assets</b>	<b>37,584</b>	<b>36,431</b>
<b>Total assets</b>	<b>86,272</b>	<b>88,761</b>

(Unit: million yen)

	FY2020 (As of May 31, 2020)	Q3 of FY2021 (As of February 28, 2021)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	13,161	13,918
Electronically recorded obligations - operating	5,135	4,913
Short-term loans payable	10,858	9,728
Current portion of bonds payable	—	500
Income taxes payable	592	297
Provision for demolition costs	—	297
Other	4,120	4,986
Total current liabilities	33,868	34,642
Non-current liabilities		
Bonds payable	1,500	1,000
Long-term loans payable	7,825	10,138
Deferred tax liabilities	332	318
Provision for directors' retirement benefit	103	145
Net defined benefit liability	4,223	4,229
Other	5,837	5,586
Total non-current liabilities	19,821	21,417
Total liabilities	53,690	56,059
Net assets		
Shareholders' equity		
Capital stock	9,554	9,554
Capital surplus	2,651	2,640
Retained earnings	10,452	10,775
Treasury shares	(4,017)	(3,988)
Total shareholders' equity	18,641	18,982
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,434	923
Deferred gains or losses on hedges	2	3
Revaluation reserve for land	7,797	7,797
Foreign currency translation adjustment	331	300
Remeasurements of defined benefit plans	(208)	(180)
Total accumulated other comprehensive income	9,357	8,844
Non-controlling interests	4,583	4,875
Total net assets	32,582	32,701
Total liabilities and net assets	86,272	88,761

(2) Consolidated quarterly statement of income and comprehensive income  
Consolidated quarterly statement of income  
(The third quarter of FY2021)

(Unit: million yen)

	Q3 of FY2020 (June 1, 2019 to February 29, 2020)	Q3 of FY2021 (June 1, 2020 to February 28, 2021)
Net sales	70,889	58,402
Cost of sales	56,422	46,006
Gross profit	14,466	12,395
Selling, general and administrative expenses	13,240	11,786
Operating income	1,226	608
Non-operating income		
Interest income	13	14
Dividend income	120	102
Foreign exchange gains	—	30
Real estate rent	201	201
Other	191	169
Total non-operating income	527	518
Non-operating expenses		
Interest expenses	209	175
Share of loss of entities accounted for using equity method	75	194
Foreign exchange losses	134	—
Rent expenses on real estates	24	24
Other	87	63
Total non-operating expenses	531	457
Ordinary income	1,222	669
Extraordinary income		
Gain on sales of non-current assets	2	5
Gain on sales of investment securities	143	1,285
Total extraordinary income	145	1,291
Extraordinary loss		
Loss on sales and retirement of non-current assets	62	332
Impairment loss	—	280
Loss on valuation of investment securities	—	15
Total extraordinary loss	62	628
Profit before income taxes	1,305	1,332
Income taxes – current	646	586
Income taxes – deferred	12	(95)
Total income taxes	658	490
Profit	646	842
Profit attributable to non-controlling interests	378	329
Profit attributable to owners of parent	268	512

Consolidated quarterly statements of comprehensive income  
(The third quarter of FY2021)

(Unit: million yen)

	Q3 of FY2020 (June 1, 2019 to February 29, 2020)	Q3 of FY2021 (June 1, 2020 to February 28, 2021)
Profit	646	842
Other comprehensive income		
Valuation difference on available-for-sale securities	(173)	(510)
Deferred gains or losses on hedges	8	(4)
Foreign currency translation adjustment	(110)	49
Remeasurements of defined benefit plans, net of tax	32	27
Share of other comprehensive income of entities accounted for using equity method	(6)	5
Total other comprehensive income	(250)	(432)
Comprehensive income	396	409
Comprehensive income attributable to:		
Owners of parent	21	(1)
Non-controlling interests	374	410

(3) Major notes on consolidated quarterly financial statements

(Notes on assumption of going concern)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Additional information)

The Group has made accounting estimates regarding the recoverability of deferred tax assets and impairment accounting for non-current assets, assuming that the impact of the COVID-19 pandemic will continue for about one year from the end of the fiscal year ended May 2020, and reflected them in the accounting process.

There have been no significant changes to what was presented in the additional information in the Annual Securities Report for the fiscal year ended May 2020.

## (Segment information)

## I Q3 of FY2020 (June 1, 2019 to February 29, 2020)

## 1. Information on net sales and income or loss by reportable segment

(Unit: million yen)

	Reportable Segments				Other (Note 1)	Total	Adjustment (Note 2)	Figures in consolidated quarterly statement of income (Note 3)
	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total				
Net sales								
Net sales to outside customers	24,756	42,596	3,428	70,782	107	70,889	—	70,889
Inter-segment sales and transfers	535	4	0	541	124	665	(665)	—
Total	25,292	42,600	3,429	71,323	232	71,555	(665)	70,889
Segment income	191	2,136	167	2,495	12	2,507	(1,281)	1,226

(Note) 1. *Other* represents businesses that are not included in reportable segments, such as the physical property and performance inspection businesses.

2. Adjustment of -1,281 million yen in segment income includes eliminations among segments of 22 million yen and corporate expenses unallocated to relevant reportable segments of -1,303 million yen. Unallocated corporate expenses mainly consist of expenses for the Administrative division and R&D division that do not belong to any reportable segment.

3. Segment income is adjusted with operating income in consolidated quarterly statement of income.

## 2. Information on impairment loss on non-current assets or goodwill, etc. by reportable segment

Omitted as it is not significant.

## II Q3 of FY2021 (June 1, 2020 to February 28, 2021)

## 1. Information on net sales and income or loss by reportable segment

(Unit: million yen)

	Reportable Segments				Other (Note 1)	Total	Adjustment (Note 2)	Figures in consolidated quarterly statement of income (Note 3)
	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total				
Net sales								
Net sales to outside customers	22,379	33,164	2,528	58,071	330	58,402	—	58,402
Inter-segment sales and transfers	482	1	0	484	122	606	(606)	—
Total	22,861	33,165	2,528	58,555	453	59,009	(606)	58,402
Segment income (loss)	271	1,487	(17)	1,742	60	1,802	(1,193)	608

(Note) 1. *Other* represents businesses that are not included in reportable segments, such as the physical property and performance inspection businesses.

2. Adjustment of -1,193 million yen in segment income (loss) includes eliminations among segments of 19 million yen and corporate expenses unallocated to relevant reportable segments of -1,213 million yen. Unallocated corporate expenses mainly consist of expenses for the Administrative division and R&D division that do not belong to any reportable segment.

3. Segment income (loss) is adjusted with operating income in consolidated quarterly statement of income.

## 2. Information on impairment loss on non-current assets or goodwill, etc. by reportable segment

Impairment loss on non-current assets has been recorded in the Interior Fittings Segment, the Automotive Textiles and Traffic Facilities Segment, the Functional Materials Segment, Other, and corporate assets that are not allocated to any reportable segment. The amount of the impairment loss recorded for the nine months ended February 28, 2021 was 129 million yen in the Interior Fittings Segment, 106 million yen in the Automotive Textiles and Traffic Facilities Segment, 4 million yen in the Functional Materials Segment, 1 million yen in Other, and 38 million yen in corporate assets that are not allocated to any reportable segment.