



Consolidated Financial Results for the First Quarter of Fiscal Year 2022 (Japanese GAAP)

October 15, 2021

Listed company name Suminoe Textile Co., Ltd. Listed on the Tokyo Stock Exchange
Code number 3501 URL: <https://suminoe.co.jp/>
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Scheduled date of filing of quarterly report: October 15, 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 1st Quarter of FY2022 (June 1, 2021 to August 31, 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	%
Q1 of FY ending May 31, 2022	18,738	20.5	(327)	—	(300)	—	(548)	—
Q1 of FY ended May 31, 2021	15,555	(32.5)	(743)	—	(825)	—	(1,143)	—

(Note) Comprehensive income Q1 of FY ending May 31, 2022: (573) million yen (— %)
Q1 of FY ended May 31, 2021: (943) million yen (— %)

	Profit per share Basic	Profit per share Diluted
	Yen	Yen
Q1 of FY ending May 31, 2022	(86.81)	—
Q1 of FY ended May 31, 2021	(181.34)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q1 of FY ending May 31, 2022	81,441	32,209	33.5
FY2021	83,669	32,956	33.5

(Reference) Shareholders' equity Q1 of FY ending May 31, 2022: 27,270 million yen FY2021: 28,044 million yen

2. Dividend Information

	Dividend per share				
	First quarter	Second quarter	Third quarter	End of the year	Annual
	Yen	Yen	Yen	Yen	Yen
FY2021	—	15.00	—	20.00	35.00
FY2022	—	—	—	—	—
FY2022 (Forecast)	—	35.00	—	35.00	70.00

(Note) Revision of the latest dividend forecast: No

3. Forecast of Consolidated Financial Results for FY2022 (June 1, 2021 to May 31, 2022)

(% 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
Interim	39,707	5.7	(390)	—	232	—	(160)	—	(25.30)
Full year	83,900	5.3	402	(61.7)	1,102	(9.1)	526	28.5	83.13

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

For the revision of the forecasts of consolidated financial results, please refer to the “Notice Concerning the Revision of Forecasts of Business Results” announced today. (The notice is available only in Japanese.)

*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: Yes

(ii) Changes in accounting policies other than (i) above: No

(iii) Changes in financial estimates: No

(iv) Restatements of financial statements: No

Note: For further information, please refer to “(3) Major notes on consolidated quarterly financial statements (Changes in accounting policies)” of “2. Consolidated quarterly financial statements and major notes” on page 11 of the attached document.

(4) Number of shares issued (common stock)

(i) Number of shares issued at the end of the period (including treasury stock)

Q1 of FY2022	7,682,162 shares	FY2021	7,682,162 shares
Q1 of FY2022	1,363,878 shares	FY2021	1,363,878 shares
Q1 of FY2022	6,318,284 shares	Q1 of FY2021	6,308,719 shares

(ii) Number of treasury shares at the end of the period

(iii) Average number of shares outstanding during the period (quarterly consolidated cumulative period)

(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.

Table of contents of attached document

1. Qualitative information for the first quarter of the fiscal year under review.....	P. 2
(1) Explanation of business results	P. 2
(2) Explanation of financial position	P. 6
(3) Explanation of future forecast information including forecast of consolidated business results	P. 6
2. Consolidated quarterly financial statements and major notes.....	P. 7
(1) Consolidated quarterly balance sheet	P. 7
(2) Consolidated quarterly statement of income and comprehensive income	P. 9
Consolidated quarterly statement of income (The first quarter of FY2022).....	P. 9
Consolidated quarterly statements of comprehensive income (The first quarter of FY2022).....	P. 10
(3) Major notes on consolidated quarterly financial statements	P. 11
(Notes on assumption of going concern)	P. 11
(Notes on significant changes in shareholders' equity)	P. 11
(Changes in accounting policies)	P. 11
(Segment information)	P. 12

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

(1) Explanation of business results

During the first quarter of the consolidated fiscal year under review, although the economy seemed to head toward a mild recovery as the third state of emergency was lifted in many prefectures in June, the outlook remained uncertain due to the spread of the variant strain of the novel coronavirus. In the global economy, the United States continued to show economic recovery following the resumption of economic activity, although the pace of recovery has been slowing down due to factors such as a resurgence of the novel coronavirus disease (COVID-19).

In the interior industry, which relates to the Company's business, domestic new housing starts were up 8.2% year on year, and the floor area of nonresidential construction starts also increased by 4.3% year on year. In the automotive industry, automobile production in the Japanese market was up 6.6% year on year. Both production and sales also increased in overseas markets in the same period of the previous fiscal year.

We have newly established "SUMINOE GROUP WAY 2022–2024–2027," our consolidated medium- to long-term management targets which will start in June 2021. Under the ESG-based management that the Group has been striving to implement, we will promote sales expansion of products that meet the needs of society and global management. All employees of the Group will work together to meet these consolidated medium- to long-term management targets.

In the Interior Fittings Segment, the Company is striving to expand the sales of health-conscious and environment-friendly products, such as products processed with antibacterial and antiviral technology called CLEANSE® and ECOS®, eco-friendly carpet tiles under the horizontal recycling system, while working to raise awareness of the SUMINOE brand. In the Space Design Business, which involves designing an entire space, the Company will strive to expand business, ranging from store interior design, which is its area of specialty, to offices and hotels.

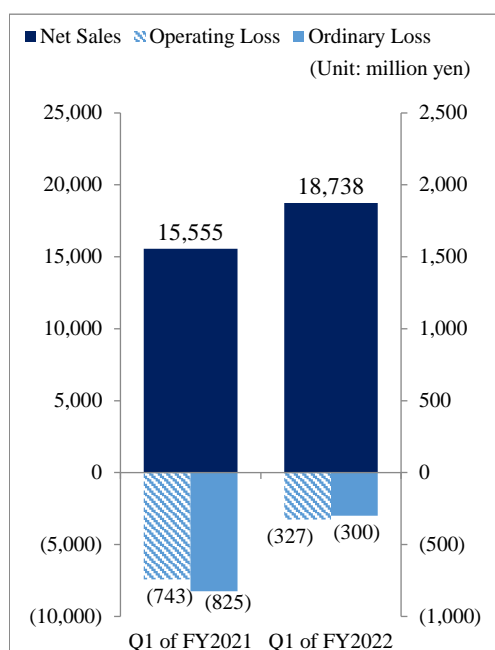
In the Automotive Textiles and Traffic Facilities Segment, efforts are being made to develop technologies and increase orders received for non-textile products such as artificial leather and to reduce costs through the optimization of material procurement and the places of production for globally marketed 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 is establishing an optimal supply system by promoting the consolidation of plants in China and Vietnam, which are the production bases for fabric-coated electric heating products, and diversifying regional risks. By strengthening collaboration with development divisions, the Company will work to increase the value of its businesses and products and enhance its development sales capability, and it will focus on securing orders in the existing businesses and promoting the development and sales of new functional processed products that meet market needs.

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. It is also reorganizing the Nara Office, the mother plant of the Group. The Company will strive to increase production and supply chain efficiency, as well as reduce environmental impact, and to build a new R&D building to achieve synergies through enhanced collaboration between business divisions.

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 first quarter of this fiscal year are as follows.

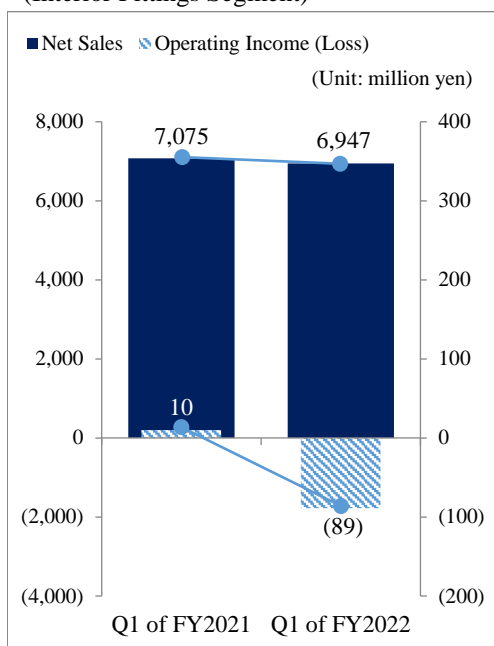


Net sales increased by 20.5% year on year to 18,738 million yen due to the growth of automobile-related sales following an increase in global car production by Japanese automakers. As to profits, operating loss of 327 million yen (operating loss of 743 million yen in the same period of the previous year) and ordinary loss of 300 million yen (ordinary loss of 825 million yen in the same period of the previous year) were recorded, resulting in loss attributable to owners of parent of 548 million yen (loss attributable to owners of parent of 1,143 million yen in the same period of the previous year).

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	6,947	(1.8)	(89)	—
Automotive Textiles and Traffic Facilities	11,068	+41.9	250	—
Functional Materials	658	+19.4	12	—
Other	63	(50.0)	(0)	—
Total	18,738	+20.5	173	—
Adjustment	—	—	(501)	—
Consolidated	18,738	+20.5	(327)	—

(Interior Fittings Segment)



While sales of wall coverings were robust due to the effect of price revisions and the Space Design Business contributed to sales, sales of commercial and household carpets were sluggish as a reaction to the strength in the same quarter of the previous year. As a result, net sales decreased by 1.8% year on year to 6,947 million yen, and operating loss ended at 89 million yen (operating income of 10 million yen in the same period of the previous year).

In commercial carpets, sales of roll carpets decreased year on year due to a decline in the number of large-scale projects. Sales of carpet tiles were also weak. Consequently, net sales of commercial carpets as a whole were down by 12.9% year on year.

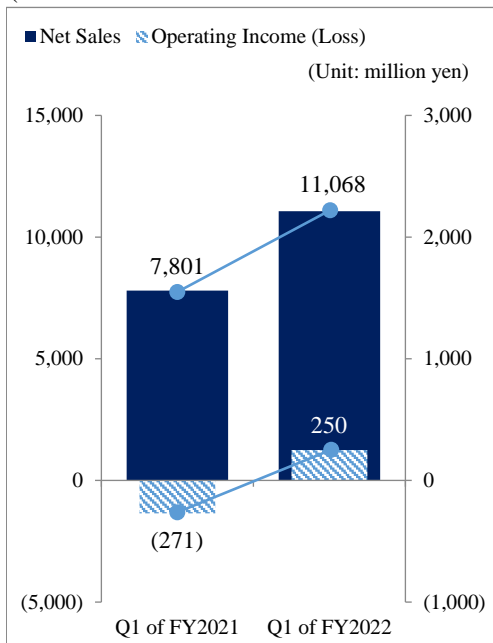
Net sales of household carpets were down 15.2% year on year as demand ran its course in the first quarter of this fiscal year, in contrast to the growth of online sales under the stay-at-home restriction and robust store sales, such as those at DIY stores, in the same quarter of the previous year.

In curtains, while sales of *mode S® Vol. 9*, curtains for general households, and *Face*, curtains for medical, welfare, and educational institutions, remained almost unchanged from the same period of the previous year, sales of other curtains for general households were sluggish. Accordingly, net sales of curtains as a whole were down 11.8% year on year.

In the Space Design Business, there was contribution from the net sales of CPO Co., Ltd., which has been subject to consolidation since September 2020. The company will contribute throughout the year, starting from this period.

Net sales of wall coverings were up 2.9% year on year due to the effect of price revisions of certain products, despite sluggish sales of fusuma paper.

(Automotive Textiles and Traffic Facilities Segment)

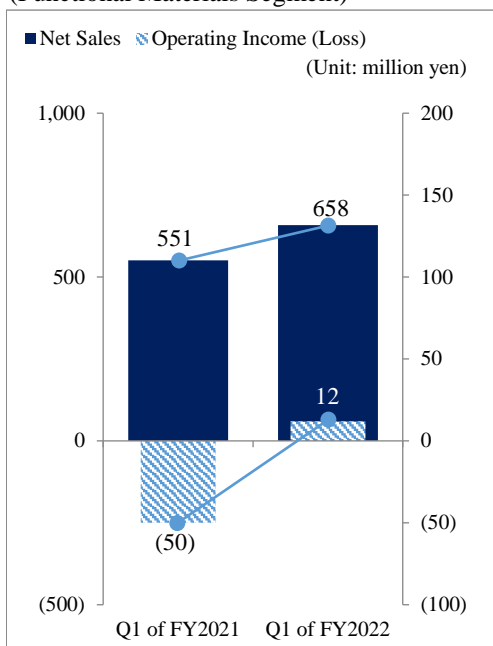


Net sales increased by 41.9% year on year to 11,068 million yen due to an increase in global car production by Japanese automakers, despite a negative impact from the drop in demand for interior materials for railway vehicles and buses. As to profit, operating income stood at 250 million yen (operating loss of 271 million yen in the same period of the previous year).

The automotive textiles business saw a recovery in the first quarter of this fiscal year, in contrast to significant declines in production in different areas across the world in the same period of the previous year due to the spread of COVID-19. Net sales in Japan were up 16.8% year on year owing to an increase in car production by Japanese automakers in Japan and abroad on a year-on-year basis. Overseas net sales increased by 90.9% year on year on the back of strong sales as car production in China continued to increase and car sales in North America and Indonesia recovered.

In the traffic facilities business, demand for interior fittings for both railway vehicles and buses failed to recover due to factors such as a decreased number of passengers on public transportation as workers stayed at home or teleworked due to the prolonged COVID-19 pandemic. As a result, overall net sales in the traffic facilities business fell below the level of the same period of the previous year.

(Functional Materials Segment)



Orders received for electric carpets, one of our core products, increased as the impact of the warm winter in the fiscal year ended May 2020 ended. Orders for floor materials for bathrooms were also robust. And also, due to factors such as the adoption of filters applied with *Triple Fresh® Deo* processing, net sales increased by 19.4% year on year to 658 million yen. As to profit, operating income stood at 12 million yen (operating loss of 50 million yen in the same period of the previous year).

(2) Explanation of financial position

Total assets at the end of the first consolidated accounting quarter under review amounted to 81,441 million yen, a decrease of 2,227 million yen from the end of the previous consolidated fiscal year, due to a decrease in cash and deposits despite an increase in merchandise and finished goods.

Liabilities shrank to 49,232 million yen, a decrease of 1,480 million yen, due to a decrease in notes and accounts payable-trade.

Net assets shrank to 32,209 million yen, a decrease of 747 million yen, due to a decrease in retained earnings.

(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 first-half and full-year consolidated financial results for the fiscal year ending May 31, 2022 announced on July 27, 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)

	FY2021 (As of May 31, 2021)	Q1 of FY2022 (As of August 31, 2021)
Assets		
Current assets		
Cash and deposits	10,936	8,142
Notes and accounts receivable-trade	14,147	13,183
Electronically recorded monetary claims - operating	5,846	5,776
Merchandise and finished goods	8,533	8,914
Work in process	1,610	1,922
Raw materials and supplies	2,716	3,047
Others	2,790	2,989
Allowance for doubtful accounts	(24)	(24)
Total current assets	46,557	43,951
Non-current assets		
Property, plant and equipment		
Land	17,606	17,602
Other, net	10,422	10,857
Total property, plant and equipment	28,028	28,460
Intangible assets	1,547	1,498
Investments and other assets		
Investment securities	4,916	4,792
Deferred tax assets	1,542	1,600
Other	1,238	1,299
Allowance for doubtful accounts	(162)	(161)
Total investments and other assets	7,534	7,530
Total non-current assets	37,111	37,489
Total assets	83,669	81,441

(Unit: million yen)

	FY2021 (As of May 31, 2021)	Q1 of FY2022 (As of August 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,997	11,230
Electronically recorded obligations - operating	4,243	3,985
Short-term loans payable	9,834	9,794
Income taxes payable	588	252
Provision for demolition costs	297	297
Other	4,894	5,182
Total current liabilities	31,856	30,742
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term loans payable	7,855	7,316
Deferred tax liabilities	313	313
Provision for directors' retirement benefit	112	96
Net defined benefit liability	4,148	4,159
Other	5,426	5,603
Total non-current liabilities	18,856	18,489
Total liabilities	50,712	49,232
Net assets		
Shareholders' equity		
Capital stock	9,554	9,554
Capital surplus	2,640	2,640
Retained earnings	10,672	9,997
Treasury shares	(3,988)	(3,988)
Total shareholders' equity	18,878	18,203
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	893	797
Deferred gains or losses on hedges	0	0
Revaluation reserve for land	7,797	7,797
Foreign currency translation adjustment	608	599
Remeasurements of defined benefit plans	(134)	(126)
Total accumulated other comprehensive income	9,166	9,066
Non-controlling interests	4,911	4,938
Total net assets	32,956	32,209
Total liabilities and net assets	83,669	81,441

(2) Consolidated quarterly statement of income and comprehensive income

Consolidated quarterly statement of income

(The first quarter of FY2022)

(Unit: million yen)

	Q1 of FY2021 (June 1, 2020 to August 31, 2020)	Q1 of FY2022 (June 1, 2021 to August 31, 2021)
Net sales	15,555	18,738
Cost of sales	12,367	14,891
Gross profit	3,187	3,847
Selling, general and administrative expenses	3,931	4,175
Operating loss	(743)	(327)
Non-operating income		
Interest income	5	6
Dividend income	36	36
Share of income of entities accounted for using equity method	—	3
Real estate rent	66	65
Dividend income of insurance	29	21
Other	71	65
Total non-operating income	209	198
Non-operating expenses		
Interest expenses	59	51
Share of loss of entities accounted for using equity method	164	—
Foreign exchange losses	47	98
Rent expenses on real estates	8	8
Other	9	12
Total non-operating expenses	290	171
Ordinary loss	(825)	(300)
Extraordinary income		
Gain on sales of non-current assets	—	0
Gain on sales of investment securities	543	—
Total extraordinary income	543	0
Extraordinary loss		
Loss on sales and retirement of non-current assets	1	24
Loss on valuation of investment securities	682	—
Total extraordinary loss	684	24
Loss before income taxes	(966)	(324)
Income taxes – current	139	158
Income taxes – deferred	29	(22)
Total income taxes	169	135
Loss	(1,135)	(460)
Profit attributable to non-controlling interests	8	88
Loss attributable to owners of parent	(1,143)	(548)

Consolidated quarterly statements of comprehensive income
(The first quarter of FY2022)

(Unit: million yen)

	Q1 of FY2021 (June 1, 2020 to August 31, 2020)	Q1 of FY2022 (June 1, 2021 to August 31, 2021)
Loss	(1,135)	(460)
Other comprehensive income		
Valuation difference on available-for-sale securities	160	(96)
Deferred gains or losses on hedges	(5)	(0)
Foreign currency translation adjustment	26	(23)
Remeasurements of defined benefit plans	9	7
Share of other comprehensive income of entities accounted for using equity method	1	(0)
Total other comprehensive income	191	(113)
Comprehensive income	(943)	(573)
Comprehensive income attributable to:		
Owners of parent	(991)	(647)
Non-controlling interests	47	74

(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

(Changes in accounting policies)

(Adoption of Accounting Standard for Revenue Recognition, etc.)

The Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., effective the beginning of the first quarter of this fiscal year. Revenues are recognized when control of the promised good or service is transferred to the customer and at the price expected to be received in exchange for said good or service. Major changes due to this are as follows.

Revenues for certain transactions that had been recognized on a gross amount basis are now recognized on a net amount basis as a result of determining the role (of the individual or its agent) in the provision of the good or service to the customer. Goods supplied for a charge, which had been derecognized, are no longer derecognized if there is an obligation to buy back the supplied goods.

The adoption of the Accounting Standard for Revenue Recognition, etc. has been carried out in accordance with the transitional treatment set forth in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative impact of retroactively applying new accounting policies to before the beginning of the first quarter of this fiscal year has been added to or subtracted from the retained earnings at the beginning of the first quarter of this fiscal year, and the new accounting policies have been applied from said beginning balance. There was no impact on the balance of retained earnings at the beginning of this fiscal year.

As a result, net sales and cost of sales of the first quarter of this fiscal year each decreased by 48 million yen, and raw materials and supplies and "other" under current liabilities each increased by 350 million yen.

(Adoption of Accounting Standard for Fair Value Measurement, etc.)

The Company adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc., effective the beginning of the first quarter of this fiscal year. It will apply the new accounting policies stipulated in the Accounting Standard for Fair Value Measurement, etc. into the future in accordance with the transitional treatment set forth in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no impact on consolidated quarterly financial statements.

(Segment information)

I Q1 of FY2021 (June 1, 2020 to August 31, 2020)

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	7,075	7,801	551	15,428	126	15,555	—	15,555
Inter-segment sales and transfers	136	0	0	137	40	178	(178)	—
Total	7,212	7,802	551	15,566	166	15,733	(178)	15,555
Segment income (loss)	10	(271)	(50)	(311)	33	(278)	(465)	(743)

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

2. Adjustment of -465 million yen in segment income (loss) includes eliminations among segments of 5 million yen and corporate expenses unallocated to relevant reportable segments of -470 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 loss in consolidated quarterly statement of income.

II Q1 of FY2022 (June 1, 2021 to August 31, 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	6,947	11,068	658	18,675	63	18,738	—	18,738
Inter-segment sales and transfers	171	1	0	173	36	209	(209)	—
Total	7,119	11,070	658	18,848	99	18,948	(209)	18,738
Segment income (loss)	(89)	250	12	174	(0)	173	(501)	(327)

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

2. Adjustment of -501 million yen in segment income (loss) includes eliminations among segments of 13 million yen and corporate expenses unallocated to relevant reportable segments of -515 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 loss in consolidated quarterly statement of income.

2 Matters concerning changes in reportable segments, etc.

As described in “(Changes in accounting policies),” the Company adopted the Accounting Standard for Revenue Recognition, etc., effective the beginning of the first quarter of this fiscal year, and changed its accounting method for revenue recognition. Therefore, the method of measuring the profits or losses of business segments has been changed accordingly.

Due to this change, the net sales of the Interior Fittings Segment and the Functional Materials Segment for the first quarter of this fiscal year have decreased by 41 million yen and 7 million yen, respectively, compared to the previous method. There is no impact on segment loss of the Interior Fittings Segment and the segment profit of the Functional Materials Segment.