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For Immediate Release

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### Plan for Compliance with Listing Maintenance Criteria for the New Market Segment

With regard to the new market segments of Tokyo Stock Exchange, Inc., which are scheduled to be applied in April 2022, we submitted an application on November 19, 2021, to select the Prime Market. As of the transition reference date (June 30, 2021), the Company has not met the listing maintenance criteria in the relevant market segment. Therefore, we have developed a plan for compliance with listing maintenance criteria in the new market segment as follows:

#### 1. Status of Our Compliance with Listing Maintenance Criteria and Plan Period

The status of the Company's compliance with the listing maintenance criteria for the Prime Market as of the transition reference date is as shown in the table below. The market capitalization of shares outstanding and the average daily trading volume are 5.44 billion yen and 7 million yen, respectively, which do not meet the criteria. We believe that to be listed on the Prime Market is an essential requirement for our sustainable growth and the enhancement of corporate value. Accordingly, with regard to the market capitalization of shares outstanding and the average daily trading volume, we will proceed with various initiatives to meet the listing maintenance criteria by the accounting period ending May 31, 2024, namely, the final fiscal year of the consolidated income and expenditure plan for our medium- to long-term management targets "SUMINOE GROUP WAY 2022-2024-2027".

	No. of shareholders	No. of shares outstanding	Market capitalization of shares outstanding	Percentage of shares outstanding	Average daily trading volume	Market capitalization
Status of the Company (As of the transition reference date)	—	27,068 units	5.44 billion yen	35.2%	7 million yen	—
Listing maintenance criteria	—	20,000 units	10 billion yen	35%	20 million yen	—
Items described in the plan	—		○		○	—

\* The values representing the status of the Company's compliance have been calculated based on TSE data concerning the distribution status of the Company's shares, etc. as of the reference date.

## 2. Basic Policy and Challenges & Details with regard to Initiatives for Compliance with Listing

### (1) Basic policy

We launched the medium- to long-term management targets "SUMINOE GROUP WAY 2022-2024-2027" in June 2021. While implementing ESG management, which the Group has been working on, we will remain committed to meeting the listing maintenance criteria for the Prime Market by taking the following measures: heightening corporate value through the promotion of sales of products meeting social needs and the advancement of global management, strengthening measures to increase the number of shares outstanding and the average daily trading volume, and enhancing investor relations activities.

### (2) Challenges & details with regard to our initiatives

- Challenges and initiatives to meet the criteria of the market capitalization of shares outstanding

#### (Challenges)

While securing the required number of shareholders and shares outstanding, the Company does not meet the criteria of the market capitalization of shares outstanding. To increase the market capitalization of shares outstanding, it is necessary to raise the percentage of shares outstanding. Furthermore, we believe the Company needs to raise its stock price by increasing its stock market valuation through the advancement of its initiatives to enhance corporate value.

#### (Initiatives)

- 1) Enhancing corporate value through strengthening existing businesses and aggressive capital investments and M&A

By steadily working on the medium- to long-term management targets "SUMINOE GROUP WAY 2022-2024-2027," which is our basic policy, we will strengthen our existing businesses that form the foundations of the Company. In addition, to strengthen existing businesses and expand the scale of business operations, we will enhance corporate value by proactively making capital investments and carrying out M&A that increases business synergies.

#### ➤ Growth strategy for existing businesses

Interior Fittings	<ul style="list-style-type: none"> <li>• Increase product lineups and sales of environmentally conscious products.</li> <li>• Develop new products for housing.</li> <li>• Increase new customers.</li> <li>• Enhance transmission and penetration of our brand image.</li> <li>• Strengthen directly operated EC business.</li> </ul>
Automotive Textiles	<ul style="list-style-type: none"> <li>• Development and sales of environmentally conscious products</li> <li>• Development of interiors for next-generation vehicles</li> <li>• Cost reduction through the optimization of material procurement</li> <li>• Horizontal development to overseas markets</li> <li>• Development of products for new parts, and those produced with less man-hours</li> <li>• Development of fabric materials using new production methods</li> <li>• Development in line with the situation and challenges of each global base</li> </ul>
Traffic Facilities	<ul style="list-style-type: none"> <li>• Increase order receipts for renovation and replacement works.</li> <li>• Develop and increase sales of new products.</li> <li>• Develop environmentally friendly fabrics.</li> <li>• Increase market shares.</li> <li>• Propose and receive orders for SUMICUBE® with a new tactile impression.</li> </ul>

Functional Materials	<ul style="list-style-type: none"> <li>• Optimize the production and supply systems of textile-based electric heating appliances.</li> <li>• Promote development of new applications of functional materials by using processing technologies.</li> <li>• Increase sales of products made by functionally processing technologies, such as deodorant treatment and anti-virus treatment.</li> <li>• Promote commercialization of smart textiles.</li> <li>• Cooperate with the development section and strengthen the capability of development and sales.</li> </ul>
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➤ Environmental initiatives in our business and external evaluation

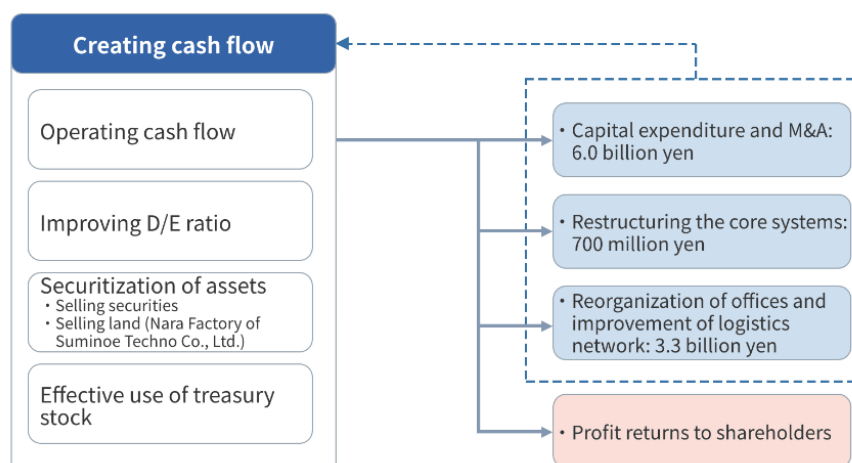
In 1990, we developed the regenerated polyester fiber "SUMITRON®" made from used plastic bottles, and in 1998, we announced our present-day development philosophy “K (Kenko meaning Health in Japanese), K (Kankyo meaning Environment), Recycle, plus A (Amenity).” Through initiatives like these, we have been in the forefront of taking steps to help reduce our impact on the environment through our business. In November 2021, Sumitomo Mitsui Banking Corporation conducted an ESG/SDGs-based loan evaluation in accordance with original criteria laid down by the Japan Research Institute, Limited. In the evaluation, our initiatives ranked second (comprehensive evaluation ranking AA due to excellent initiatives and disclosure of information toward the achievement of the ESG and SDGs) out of seven ranks.

For the main product in our interior business, ECOS®, we have established a horizontal recycling system for used carpet tiles, thereby helping to reduce CO2 emissions. In 2021, ECOS® won two major prizes for its high environmental performance: the Economy, Trade and Industry Minister’s Prize in the 4th EcoPro Awards, and the Grand Prize in the plastic resource recycling special category of the 22nd Green Purchasing Award.

Through our business, we will continue to ensure Responsible Production as a manufacturer to help society achieve zero carbon emissions while striving to enhance corporate value and achieve sustainable growth.

➤ Investment and capital policy

Over the three years from the accounting period ending May 31, 2022 to the period ending May 31, 2024, we plan to invest a total of 10 billion yen for business expansion, core system restructuring, and office reorganization.



➤ M&A

We have been actively carrying out M&A. In 2020, to expand our Interior Fittings Segment and shift from offering only two-dimensional products, including curtains and carpets, to three-dimensional design of the entire space, we made CPO Co., Ltd., a company with extensive knowledge of store designing and outstanding construction know-how, a group company. We have already seen some positive effects of CPO joining the group. In addition to stores that CPO specializes in, we will further broaden the range of customers, including offices, day-care centers, schools, and medical facilities.

To strengthen our existing businesses and expand the scale of business operations, we will continue to invest in M&A that enhances synergies.

2) Enhancing communication with investors through proactive investor relations activities

We aim to raise the Company's stock price by increasing the recognition and reliability of the Company both inside and outside Japan through initiatives including the following: translating our already-issued IR documents into English, newly publishing chargeable analyst reports to provide information from an independent, objective standpoint, increasing the number of one-on-one meetings with institutional investors, and explaining our business to independent financial advisors and other information providers who provide information to individual investors.

3) Upgrading disclosure documents

We strive to be fairly valued in the stock market by promoting understanding of our business through the upgrading of investor relations information, including shifting from CSR reports to integrated reports and translating IR-related information into English.

4) Improving corporate governance

We will work toward enhancing corporate value through our initiatives for compliance with the Corporate Governance Code, focusing on the principles that apply to companies listed on the Prime Market.

Supplementary principles		Toward application
1-2 ④	Companies listed on the Prime Market should make an electronic voting platform available, at least to institutional investors.	We are currently preparing to introduce an electronic voting platform.
3-1 ②	Companies listed on the Prime Market should disclose and provide necessary information in their disclosure documents in English.	We have already begun disclosing information in English, for example, through issuing an English version of earnings briefings. We will disclose more information in other documents in English.
3-1 ③	Companies listed on the Prime Market should enhance the quality and quantity of disclosure based on the TCFD recommendations or an equivalent framework.	While continuing to analyze climate change-related risks and profit opportunities, we will make disclosures based on TCFD.
4-8	Companies listed on the Prime Market should appoint at least one-third of their directors (the majority of directors when necessary) as independent outside directors.	Applied

4-10 ①	Companies listed on the Prime Market should basically have the majority of the members of both the nomination and remuneration committees be independent outside directors, and should disclose the mandates and roles of the committees, as well as the policy regarding the independence of the composition.	We established the nomination and remuneration committees in July 2019, and they currently consist of two representative directors of the Company and three outside directors (two of whom are independent outside directors). While aiming to have the majority of the committee members be independent outside directors, we will disclose the mandates and roles of the committees, as well as the policy regarding the independence of the composition.
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5) Increasing the number of shares outstanding by taking appropriate measures

The percentage of shares outstanding, which was initially 35.2%, has reached 43.2% as of November 30, 2021 as a result of converting some of the shares excluded from shares outstanding (i.e. shares held by business corporations, etc.) into shares outstanding after the reference date for TSE's assessment. While carefully determining the direction of corporate management, we will strive to increase the percentage of shares outstanding to at least 50% by reducing the ratio of shares held by existing shareholders. Moreover, to further increase the liquidity of shares, we will examine share splits.

➤ Verification of the market capitalization of shares outstanding

Prerequisites for the PBR approach

- Estimated net assets per share for the accounting period ending May 31, 2024: 4,450 yen
- PBR: 1
- Percentage of shares outstanding: 50%

Theoretical stock price:  $4,450 \text{ yen} \times 1 = 4,450 \text{ yen}$

Market capitalization of shares outstanding:

$$4,450 \text{ yen} \times (7,682,162 \text{ shares} \times 50\%) = \text{approx. 17 billion yen}$$

Prerequisites for the PER approach

- Estimated net income attributable to owners of parent in accordance with the plan for the accounting period ending May 31, 2024: 1.96 billion yen
- Estimated EPS in accordance with the plan for the accounting period ending May 31, 2024: 255.1 yen
- Average PER of companies listed on the First Section of the Tokyo Stock Exchange over the last ten years: 19.2
- Percentage of shares outstanding: 50%

Theoretical stock price:  $255.1 \text{ yen} \times 19.2 = 4,897 \text{ yen}$

Market capitalization of shares outstanding:

$$4,897 \text{ yen} \times (7,682,162 \text{ shares} \times 50\%) = \text{approx. 18.8 billion yen}$$

■ Challenges and initiatives to meet the criteria of the average daily trading volume

(Challenges)

To meet the criteria of the average daily trading volume, we believe that it is necessary to gain recognition from more investors and induce them to participate in trading.

(Initiatives)

1) Strengthening public relations via various media

We will increase the recognition of our ESG initiatives by publicizing them widely and accurately. To be a target for investment, the Company will seek out more opportunities to appear in social media and other Internet media as well as the conventional mass media, including TV, radio, newspapers and magazines.

2) Promoting understanding of the Company through investor relations activities for individual investors

Promote understanding of our business through initiatives including the following: distributing detailed information on a financial results briefing for institutional investors via the Internet, upgrading the content of our website, and resuming the holding of briefings on the Company for individual investors, which have been suspended due to the COVID-19 pandemic.

3) Strengthening measures to return more profits to shareholders

We will examine measures to return more profits to shareholders, such as shareholder perks, with the objective of raising dividends through profit increases and stimulating trading in the stock market.