



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

July 15, 2022

Listed company name Suminoe Textile Co., Ltd. Listed on the Tokyo Stock Exchange
Code number 3501 URL: <https://suminoe.co.jp/>
Representative (Title) President (Name) Teppei Nagata
Responsible contact person (Title) Managing Director, General Manager, Corporate Planning Department
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Date of holding Annual General Meeting of Shareholders: August 30, 2022
Scheduled date of dividend payment: August 31, 2022
Scheduled date of filing of annual security report: August 30, 2022
Preparation of supplementary explanatory documents for financial results: No
Holding analyst meeting for financial results: Yes (For institutional investors and securities analysts)
(Amounts are rounded down to the nearest million yen) (Figures in brackets are negative)

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

(1) Consolidated Operating Results (% 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	%
FY2022	81,713	2.5	110	(89.5)	950	(21.5)	281	(31.3)
FY2021	79,702	(12.9)	1,049	(32.6)	1,211	(8.5)	409	186.4

(Note) Comprehensive income FY2022: 1,170 million yen (35.0%) FY2021: 866 million yen (-%)

	Profit per share	Profit per share	Ratio of profit to	Ratio of ordinary	Ratio of operating
	Basic	Diluted	equity	income to total assets	income to net sales
	Yen	Yen	%	%	%
FY2022	44.44	—	1.0	1.1	0.1
FY2021	64.84	—	1.5	1.4	1.3

(Reference) Equity in earnings or losses of affiliates FY2022: 14 million yen FY2021: (202) million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Book-value per share
	Million yen	Million yen	%	Yen
FY2022	84,801	33,448	33.4	4,470.49
FY2021	83,669	32,956	33.5	4,438.67

(Reference) Shareholders' equity FY2022: 28,304 million yen FY2021: 28,044 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
FY2022	375	(1,191)	(2,074)	7,970
FY2021	4,167	(754)	(3,174)	10,756

2. Dividend Information

	Dividend per share					Total annual dividends	Payout ratio (consolidated)	Dividend to equity ratio (consolidated)
	First quarter	Second quarter	Third quarter	End of the year	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2021	—	15.00	—	20.00	35.00	221	54.0	0.8
FY2022	—	35.00	—	35.00	70.00	443	157.5	1.6
FY2023 (Forecast)	—	35.00	—	35.00	70.00		88.6	

3. Forecast of Consolidated Financial Results for FY2023 (June 1, 2022 to May 31, 2023)

(% 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	44,000	11.9	150	—	210	(64.6)	(350)	—	(55.28)
Full year	89,000	8.9	1,700	—	1,800	89.4	500	77.8	78.97

*Notes

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

(2) 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

(3) 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 during the period

FY2022	7,682,162 shares	FY2021	7,682,162 shares
FY2022	1,350,807 shares	FY2021	1,363,878 shares
FY2022	6,327,519 shares	FY2021	6,315,464 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Highlights for FY2022 (June 1, 2021 to May 31, 2022)

(1) Non-Consolidated Operating Results (% change from the previous fiscal year) (Figures in brackets are negative)

	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2022	15,009	—	(661)	—	442	(62.8)	907	—
FY2021	32,243	(9.5)	149	123.3	1,189	6.3	(1,433)	—

	Profit per share Basic	Profit per share Diluted
	Yen	Yen
FY2022	143.49	—
FY2021	(226.92)	—

(Note) The Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., effective the beginning of the fiscal year ended May 31, 2022. Accounting figures stated for the fiscal year are after application of the accounting standard, etc. For net sales for the fiscal year ended May 31, 2022, percentage change from the previous fiscal year is not shown as the impact of the application of the accounting standard, etc. is significant. If the accounting standard, etc. had not been applied, net sales would have been 31,851 million yen (down 1.2% year on year).

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Book-value per share
	Million yen	Million yen	%	Yen
FY2022	63,773	21,671	34.0	3,422.94
FY2021	65,132	21,356	32.8	3,380.05

(Reference) Shareholders' equity FY2022: 21,671 million yen FY2021: 21,356 million yen

(Note) The Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., effective the beginning of the fiscal year ended May 31, 2022.

(Note) The summary of financial results is outside the scope of 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. Overview of business results, etc.	P. 2
(1) Overview of business results for the fiscal year under review	P. 2
(2) Overview of financial position for the fiscal year under review	P. 7
(3) Overview of cash flows for the fiscal year under review	P. 7
(4) Forecast of financial results for FY2023	P. 7
2. Basic policy regarding selection of accounting standards	P. 8
3. Consolidated financial statements and major notes	P. 9
(1) Consolidated balance sheet	P. 9
(2) Consolidated statement of income and comprehensive income	P. 11
Consolidated statement of income	P. 11
Consolidated statements of comprehensive income	P. 12
(3) Consolidated statements of changes in shareholders' equity	P. 13
(4) Consolidated statement of cash flows	P. 15
(5) Major notes on consolidated financial statements	P. 17
(Notes on assumption of going concern)	P. 17
(Changes in accounting policies)	P. 17
(Segment information, etc.)	P. 18
(Per share information)	P. 21
(Significant subsequent events)	P. 21

1. Overview of business results, etc.

(1) Overview of business results for the fiscal year under review

During the consolidated fiscal year ended May 31, 2022 under review, having stagnated temporarily due to the spread of a variant of the novel coronavirus (COVID-19), the Japanese economy was on a path to moderate recovery as a result of the relaxation of movement restrictions, among other things. However, the outlook became increasingly uncertain in Japan and abroad as it was affected significantly by the shortage of semiconductors and components and the soaring prices of raw materials due to high crude oil prices, as well as the impact of supply chain disruptions caused by the conflict in Ukraine and lockdowns in China, in addition to the rapid depreciation of the yen.

In the interior industry, which relates to the Company's business, domestic new housing starts were up 9.8% year on year, and the floor area of nonresidential construction starts also increased by 5.0% year on year. In the automotive industry, automobile production in the Japanese market was down 14.5% year on year. Both production and sales increased in overseas markets in the previous fiscal year.

Under the policy of "SUMINOE GROUP WAY 2022–2024–2027," the Suminoe Textile Group has implemented to promote sales expansion of products that meet the needs of society and global management.

In the Interior Fittings Segment, the Company is striving to expand the sales of environment-friendly and health-conscious products, such as *ECOS*®, eco-friendly carpet tiles under the horizontal recycling system, and products processed with antibacterial and antiviral technology, while working to raise awareness of the SUMINOE brand. *ECOS*® won two major prizes in 2021 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. We will strengthen sales further on the back of the spread of ESG and SDGs awareness. 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 focused on developing technologies and increasing orders received for non-textile products such as artificial leather and on reducing costs through the optimization of material procurement and the places of production for globally marketed cars in the automotive textiles business, amid the impact of production cuts by Japanese automobile manufacturers due to a shortage of parts supply and soaring prices of raw materials. 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.

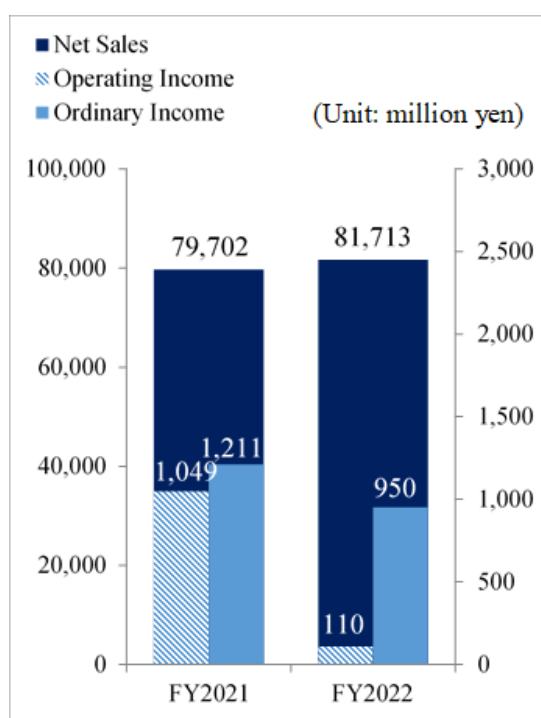
In the Functional Materials Segment, the Company has completed the consolidation of plants in China and Vietnam, which are the production bases for fabric-coated electric heating products. By diversifying regional risks and building an optimal supply system, we will promote responses to the uncertain external environment. By strengthening collaboration with development divisions, the Company works to increase the value of its businesses and products and enhance its development sales capability, and it focuses 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. In May 2022, the Company also completed the reorganization of the Nara Office, the mother plant of the Group, which had been underway since 2019. The Company will strive to increase production and supply chain efficiency, as well as reduce environmental impact, and to achieve synergies through enhanced collaboration between business divisions at the new R&D building that was completed in December 2021.

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 financial results for the fiscal year are as follows.

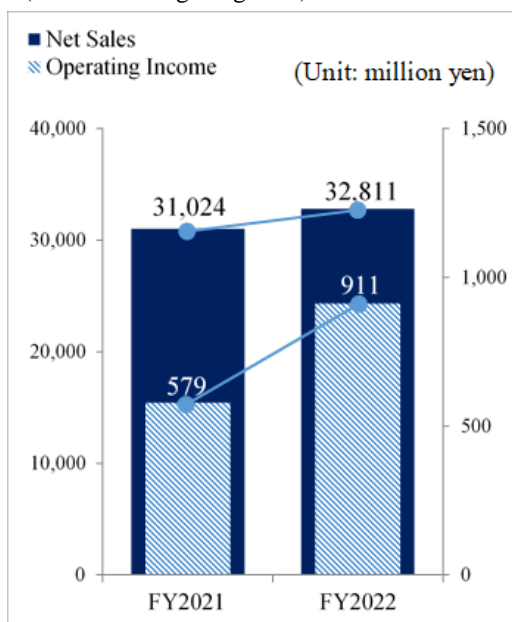


Due to the contribution from sales of the space design business and the solid performance of wall covering-related sample books combined with the effect of price revisions, net sales increased by 2.5% year on year to 81,713 million yen. Profits were significantly impacted by the decrease in production by Japanese automobile manufacturers due to the shortage of semiconductors and components, soaring prices of raw materials and energy as well as rising distribution costs due to high crude oil prices. In addition, a sales subsidiary recognized an allowance for doubtful accounts that are determined to be uncollectible for part of its trade accounts receivable. As a result, operating income declined 89.5% year on year to 110 million yen, ordinary income declined 21.5% year on year to 950 million yen, and profit attributable to owners of parent declined 31.3% year on year to 281 million yen.

The performance by segment is as described below.

Segments	Net sales		Segment income (loss)	
	Amount (Million yen)	YY Change (%)	Amount (Million yen)	YY Change (%)
Interior Fittings	32,811	+5.8	911	+57.2
Automotive Textiles and Traffic Facilities	45,005	(0.2)	1,127	(46.4)
Functional Materials	3,548	+13.4	(192)	—
Other	349	(21.6)	63	(13.4)
Total	81,713	+2.5	1,910	(28.4)
Adjustment	—	—	(1,799)	—
Consolidated	81,713	+2.5	110	(89.5)

(Interior Fittings Segment)



Due to the increase in sales of the space design business and robust sales of wall coverings owing to price revisions, net sales increased 5.8% year on year to 32,811 million yen, also operating income increased 57.2% year on year to 911 million yen.

In commercial carpets, although sales of carpet tiles for OEMs declined, sales of *ECOS®*, eco-friendly carpet tiles under the horizontal recycling system, were robust, and more properties installed roll carpets. Consequently, net sales of commercial carpets as a whole were mostly unchanged from the previous year.

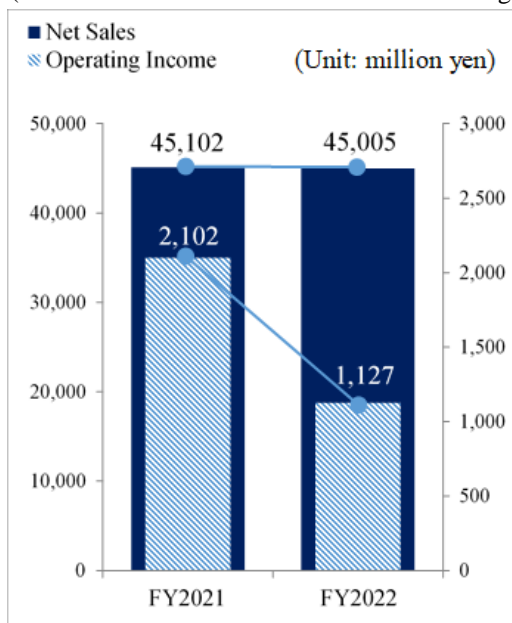
Sales of household carpets were down 9.2% year on year as demand ran its course in the fiscal year, in contrast to the growth of online sales under stay-at-home restrictions and robust store sales, such as those at DIY stores, in the previous year.

In curtains, sales of curtains for general households, medical, welfare, and educational institutions were sluggish. Accordingly, net sales of curtains as a whole were down 5.9% year on year.

Net sales of wall coverings were up 6.4% year on year due to the launch of the wallpaper *Runon Mark II* in June and the effect of price revisions for certain products.

In the Space Design Business, net sales of CPO Co., Ltd. and PRETERIOR-TEXTILE Inc., which have been consolidated subsidiaries since September 2020 and January 2022, respectively, contributed to the results. Since welcoming both companies to the Group, we have been working to further strengthen the space design business through, for example, the promotion of proposals by them jointly with SUMINOE Co., Ltd.

(Automotive Textiles and Traffic Facilities Segment)

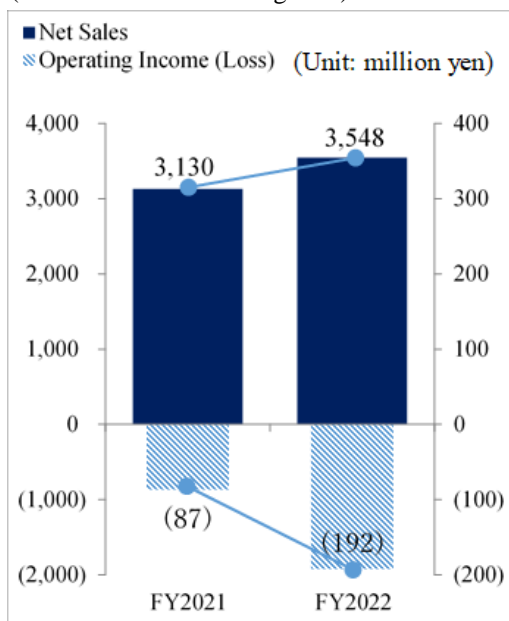


Although overseas automobile-related sales were robust partly due to the effect of foreign exchange rates, domestic automobile-related sales were affected by the decrease in production by Japanese automobile manufacturers and demand for interior materials for railway vehicles and buses were weak. This resulted in a decrease in net sales of 0.2% year on year to 45,005 million yen. Operating income decreased 46.4% year on year to 1,127 million yen mainly due to the significant impact of soaring raw materials prices and distribution costs.

The automotive textiles business was significantly affected by the decrease in production due to the shortage of semiconductors and components. As a result, net sales in Japan were down 8.6% year on year. Overseas net sales increased by 8.9% year on year on the back of a rise in car sales in Indonesia due to the effect of a tax break for car purchases and strong sales growth in Thailand, combined with the effect of foreign exchange rates, although the North and Central America was significantly hit by the decrease in production, as also occurred in Japan.

In the traffic facilities business, products for buses have gradually shown some signs of recovery while the business as a whole was significantly impacted by COVID-19. However, demand for products for railway vehicles have failed to recover due to factors such as a postponement of renovation work, although plans for new vehicle production were proceeded with. As a result, overall net sales in the traffic facilities business fell below the level of the previous year.

(Functional Materials Segment)



Orders received for fabric-coated heating products such as electric carpets, one of our core products, increased as the impact of the warm winter in the fiscal year ended May 2020 dissipated. Orders for floor materials for bathrooms were also robust. As a result, net sales increased by 13.4% year on year to 3,548 million yen. Operating loss ended at 192 million yen (operating loss of 87 million yen in the previous fiscal year) due to factors such as the decrease in income from deodorizing filters for air purifiers, which had enjoyed extraordinary demand following the spread of COVID-19, and the impact of an increase in product cost due to a surge in costs related to the import of fabric-coated heating products and consolidation costs for plants in China and Vietnam.

(2) Overview of financial position for the fiscal year under review

Total assets at the end of the current fiscal year amounted to 84,801 million yen, up 1,132 million yen from the end of the previous fiscal year, due to an increase in property, plant and equipment related to the reorganization of the Nara Office, among other things.

Liabilities grew to 51,352 million yen, up 639 million yen, due to an increase in electronically recorded obligations - operating.

Net assets grew to 33,448 million yen, up 492 million yen, due to an increase in foreign currency translation adjustment.

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents at the end of the consolidated fiscal year amounted to 7,970 million yen, down 2,786 million yen from the end of the previous fiscal year. A summary of the cash flow situation is provided as follows:

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 375 million yen (4,167 million yen provided in the previous fiscal year) due to an increase in inventories and income taxes paid, despite recording profit before income taxes and depreciation.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 1,191 million yen (754 million yen used in the previous fiscal year) due to purchase of property, plant and equipment, despite proceeds from sales of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 2,074 million yen (3,174 million yen used in the previous fiscal year) due to repayments of long-term loans payable.

(Reference) Changes in cash flow indicators

	FY2018	FY2019	FY2020	FY2021	FY2022
Shareholders' equity ratio (%)	36.9	34.8	32.5	33.5	33.4
Shareholders' equity ratio on market value basis (%)	22.5	21.6	14.1	14.3	12.5
Ratio of cash flows to interest bearing debts (year)	5.9	4.1	3.8	4.9	55.4
Interest coverage ratio (times)	12.9	15.0	21.4	18.3	1.7

(Notes)

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio on market value basis: Market capitalization / Total assets

Ratio of cash flows to interest bearing debts: Interest-bearing debts / Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities / Interest payment

1. Each indicator is calculated using consolidated financial figures.
2. Market capitalization is calculated using the following formula: Fiscal year-end share price × Fiscal year-end number of outstanding shares (excluding treasury shares)
3. Operating cash flow represents net cash provided by (used in) operating activities in the consolidated statements of cash flows. Interest-bearing debts refer to all liabilities with an obligation to pay interest stated in the consolidated balance sheet. Interest payment represents interest expenses paid stated in the consolidated statements of cash flows.

(4) Forecast of financial results for FY2023

The fiscal year ending May 31, 2023 is the second year of the "SUMINOE GROUP WAY 2022–2024–2027." As the lifestyle of coexistence with COVID-19 becomes further established, the Japanese economy is expected to be less susceptible to the effect of COVID-19 than before. On the other hand, the outlook remains uncertain as there are many things which need to be monitored closely, such as the rapid depreciation of the yen, soaring raw material prices, and the impact of production cuts by automobile manufacturers.

In the Interior Fittings Segment, the Company will proceed with transactions at reasonable prices while raw material prices continue to rise. At the same time, the Company will strive to aggressively capture the demand for commercial carpets for use in offices and hotels, which had been weak during the COVID-19 pandemic, and boost the sales of “mode S Curtain Vol.10,” a sample book for general households, which will be newly released in July. In addition, we will further strengthen the Space Design Business to promote proposals that only the Group can make. In the Automotive Textiles and Traffic Facilities Segment, the Company will work to improve the profitability of the automotive textiles business by developing high value-added products, such as eco-friendly products and products with antibacterial and antiviral features, while developing business in a wide range of product areas beyond the existing textile products. In the traffic facilities business, the Company will aim to secure more orders by quickly responding to the recovery in demand due to the increase in the number of passengers using the services of railway and bus operators and improving the functionality of its products. In the Functional Materials Segment, the Company will work to secure current orders for and improve the profitability of fabric-coated heating products through the coordinated efforts of offices in Japan, China, and Vietnam. For other products, the Company will also promote development activities that create value and the improvement of sales and business development capabilities.

We plan to post net sales of 89,000 million yen, operating income of 1,700 million yen, ordinary income of 1,800 million yen, and profit attributable to owners of parent of 500 million yen for the fiscal year ending May 31, 2023.

2. Basic policy regarding selection of accounting standards

Considering the comparability of consolidated financial statements among fiscal years and companies, the Suminoe Textile Group plans to prepare its consolidated financial statements in accordance with Japanese GAAP for the time being. Regarding the adoption of International Financial Reporting Standards (IFRS) in the future, we plan to decide the timing for introducing IFRS appropriately, taking into account the situation in Japan and overseas.

3. Consolidated financial statements and major notes

(1) Consolidated balance sheet

(Unit: million yen)

	FY2021 (As of May 31, 2021)	FY2022 (As of May 31, 2022)
Assets		
Current assets		
Cash and deposits	10,936	8,150
Notes and accounts receivable - trade	14,147	—
Notes and accounts receivable - trade, and contract assets	—	13,816
Electronically recorded monetary claims - operating	5,846	6,171
Securities	53	58
Merchandise and finished goods	8,533	10,187
Work in process	1,610	1,828
Raw materials and supplies	2,716	3,605
Income taxes receivable	70	32
Other	2,666	2,925
Allowance for doubtful accounts	(24)	(27)
Total current assets	46,557	46,749
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,202	8,163
Machinery, equipment and vehicles, net	2,798	2,854
Land	17,606	16,138
Leased assets, net	1,290	1,359
Construction in progress	1,696	432
Other, net	433	604
Total property, plant and equipment	28,028	29,553
Intangible assets		
Leased assets	2	8
Other	1,544	1,825
Total intangible assets	1,547	1,834
Investments and other assets		
Investment securities	4,916	4,304
Long-term loans receivable	9	9
Deferred tax assets	1,542	1,416
Other	1,228	1,149
Allowance for doubtful accounts	(162)	(216)
Total investments and other assets	7,534	6,663
Total non-current assets	37,111	38,051
Total assets	83,669	84,801

(Unit: million yen)

	FY2021 (As of May 31, 2021)	FY2022 (As of May 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,997	12,063
Electronically recorded obligations - operating	4,243	4,700
Short-term loans payable	9,834	12,399
Lease obligations	611	677
Income taxes payable	588	507
Provision for demolition costs	297	—
Other	4,283	4,697
Total current liabilities	31,856	35,046
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term loans payable	7,855	5,600
Lease obligations	1,017	1,123
Deferred tax liabilities	313	308
Deferred tax liabilities for land revaluation	3,761	3,375
Provision for directors' retirement benefit	112	137
Net defined benefit liability	4,148	4,197
Other	647	563
Total non-current liabilities	18,856	16,306
Total liabilities	50,712	51,352
Net assets		
Shareholders' equity		
Capital stock	9,554	9,554
Capital surplus	2,640	2,626
Retained earnings	10,672	11,480
Treasury shares	(3,988)	(3,949)
Total shareholders' equity	18,878	19,711
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	893	545
Deferred gains or losses on hedges	0	58
Revaluation reserve for land	7,797	6,922
Foreign currency translation adjustment	608	1,170
Remeasurements of defined benefit plans	(134)	(104)
Total accumulated other comprehensive income	9,166	8,593
Non-controlling interests	4,911	5,144
Total net assets	32,956	33,448
Total liabilities and net assets	83,669	84,801

(2) Consolidated statement of income and comprehensive income

Consolidated statement of income

(Unit: million yen)

	FY2021 (June 1, 2020 to May 31, 2021)	FY2022 (June 1, 2021 to May 31, 2022)
Net sales	79,702	81,713
Cost of sales	62,876	64,543
Gross profit	16,826	17,170
Selling, general and administrative expenses	15,776	17,059
Operating income	1,049	110
Non-operating income		
Interest income	20	28
Dividend income	132	120
Share of profit of entities accounted for using equity method	—	14
Foreign exchange gains	80	24
Real estate rent	269	267
Subsidy income	—	521
Other	235	177
Total non-operating income	738	1,155
Non-operating expenses		
Interest expenses	232	212
Sales discounts	39	—
Share of loss of entities accounted for using equity method	202	—
Rent expenses on real estates	32	29
Other	69	74
Total non-operating expenses	575	316
Ordinary income	1,211	950
Extraordinary income		
Gain on sales of non-current assets	8	271
Gain on sales of investment securities	1,439	380
Total extraordinary income	1,447	652
Extraordinary loss		
Loss on sales and retirement of non-current assets	349	101
Impairment loss	329	—
Loss on valuation of investment securities	15	—
Total extraordinary loss	694	101
Profit before income taxes	1,964	1,501
Income taxes - current	967	890
Income taxes - deferred	83	(86)
Total income taxes	1,050	803
Profit	914	698
Profit attributable to non-controlling interests	504	417
Profit attributable to owners of parent	409	281

Consolidated statements of comprehensive income

(Unit: million yen)

	FY2021 (June 1, 2020 to May 31, 2021)	FY2022 (June 1, 2021 to May 31, 2022)
Profit	914	698
Other comprehensive income		
Valuation difference on available-for-sale securities	(540)	(348)
Deferred gains or losses on hedges	(5)	58
Foreign currency translation adjustment	420	732
Remeasurements of defined benefit plans, net of tax	73	30
Share of other comprehensive income of entities accounted for using equity method	3	(0)
Total other comprehensive income	(47)	471
Comprehensive income	866	1,170
Comprehensive income attributable to:		
Owners of parent	217	588
Non-controlling interests	648	581

(3) Consolidated statements of changes in shareholders' equity

FY2021 (June 1, 2020 to May 31, 2021)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	9,554	2,651	10,452	(4,017)	18,641
Changes of items during the period					
Dividends of surplus			(189)		(189)
Profit attributable to owners of parent			409		409
Purchase of treasury shares				(0)	(0)
Disposition of treasury shares		(10)		29	18
Reversal of revaluation reserve for land					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(10)	220	28	237
Balance at the end of the period	9,554	2,640	10,672	(3,988)	18,878

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	1,434	2	7,797	331	(208)	9,357	4,583	32,582
Changes of items during the period								
Dividends of surplus								(189)
Profit attributable to owners of parent								409
Purchase of treasury shares								(0)
Disposition of treasury shares								18
Reversal of revaluation reserve for land								—
Net changes of items other than shareholders' equity	(540)	(1)	—	276	73	(191)	327	135
Total changes of items during the period	(540)	(1)	—	276	73	(191)	327	373
Balance at the end of the period	893	0	7,797	608	(134)	9,166	4,911	32,956

FY2022 (June 1, 2021 to May 31, 2022)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	9,554	2,640	10,672	(3,988)	18,878
Changes of items during the period					
Dividends of surplus			(347)		(347)
Profit attributable to owners of parent			281		281
Purchase of treasury shares				(0)	(0)
Disposition of treasury shares		(14)		39	25
Reversal of revaluation reserve for land			874		874
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(14)	808	38	832
Balance at the end of the period	9,554	2,626	11,480	(3,949)	19,711

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	893	0	7,797	608	(134)	9,166	4,911	32,956
Changes of items during the period								
Dividends of surplus								(347)
Profit attributable to owners of parent								281
Purchase of treasury shares								(0)
Disposition of treasury shares								25
Reversal of revaluation reserve for land			(874)			(874)		—
Net changes of items other than shareholders' equity	(348)	58	—	562	30	302	233	535
Total changes of items during the period	(348)	58	(874)	562	30	(572)	233	492
Balance at the end of the period	545	58	6,922	1,170	(104)	8,593	5,144	33,448

(4) Consolidated statement of cash flows

(Unit: million yen)

	FY2021 (June 1, 2020 to May 31, 2021)	FY2022 (June 1, 2021 to May 31, 2022)
Cash flows from operating activities		
Profit before income taxes	1,964	1,501
Depreciation	1,979	1,915
Impairment loss	329	—
Increase (decrease) in net defined benefit liability	13	74
Increase (decrease) in provision for directors' retirement benefits	(25)	(9)
Increase (decrease) in allowance for doubtful accounts	3	57
Interest and dividend income	(152)	(149)
Interest expenses	232	212
Share of loss (profit) of entities accounted for using equity method	202	(14)
Loss (gain) on sales and retirement of non-current assets	341	(170)
Loss (gain) on sales of investment securities	(1,439)	(380)
Loss (gain) on valuation of investment securities	15	—
Decrease (increase) in notes and accounts receivable - trade	1,700	1,303
Decrease (increase) in inventories	2,252	(1,971)
Increase (decrease) in notes and accounts payable - trade	(2,602)	(217)
Decrease (increase) in consumption taxes refund receivable	6	(741)
Increase (decrease) in accrued consumption taxes payable	29	(105)
Decrease (increase) in other current assets	(402)	(29)
Increase (decrease) in other current liabilities	331	(9)
Other	356	111
Subtotal	5,134	1,376
Interest and dividend income received	148	147
Interest expenses paid	(227)	(215)
Income taxes paid	(921)	(961)
Income taxes refund	34	28
Net cash provided by (used in) operating activities	4,167	375

(Unit: million yen)

	FY2021 (June 1, 2020 to May 31, 2021)	FY2022 (June 1, 2021 to May 31, 2022)
Cash flows from investing activities		
Payments into time deposits	(419)	(330)
Proceeds from withdrawal of time deposits	396	330
Purchase of securities	(61)	(17)
Proceeds from sales and redemption of securities	47	19
Purchase of property, plant and equipment	(2,060)	(3,763)
Proceeds from sales of property, plant and equipment	39	2,733
Proceeds from earnest related sales of property, plant and equipment	136	—
Payments for retirement of property, plant and equipment	(319)	(399)
Payments for asset retirement obligations	(137)	(4)
Purchase of intangible assets	(211)	(254)
Purchase of investment securities	(56)	(18)
Proceeds from sales and redemption of investment securities	1,667	593
Proceeds from shares of subsidiaries resulting in change in scope of consolidation	229	—
Payments from shares of subsidiaries resulting in change in scope of consolidation	—	(81)
Payments of loans receivable	(7)	(4)
Collection of loans receivable	3	5
Other	(0)	—
Net cash provided by (used in) investing activities	(754)	(1,191)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,019)	2,798
Proceeds from long-term loans payable	5,200	600
Repayments of long-term loans payable	(3,659)	(4,000)
Redemptions of bonds	(500)	(100)
Repayments of lease obligations	(769)	(685)
Purchase of treasury shares	(0)	(0)
Proceeds from sale of treasury shares	18	—
Cash dividends paid	(190)	(348)
Cash dividends paid to non-controlling interests	(253)	(337)
Net cash provided by (used in) financing activities	(3,174)	(2,074)
Effect of exchange rate change on cash and cash equivalents	208	104
Net increase (decrease) in cash and cash equivalents	447	(2,786)
Cash and cash equivalents at beginning of period	10,309	10,756
Cash and cash equivalents at end of period	10,756	7,970

(5) Major notes on consolidated financial statements

(Notes on assumption of going concern)

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 fiscal year ended May 31, 2022. Revenues are recognized the price expected to be received in exchange for promised goods or services when control of them are transferred to the customer. 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.

For construction contracts, the percentage-of-completion method had been applied to contracts whose outcome is deemed certain during the course of the construction. However, for contracts in which performance obligations are satisfied over a certain period of time, the percentage of completion pertaining to the satisfaction of performance obligations is estimated, and revenue is now recognized over a certain period of time based on said percentage. The percentage of completion pertaining to the satisfaction of performance obligations is determined by the cost incurred as a percentage of the estimated total costs (input method). The revenue of other construction contracts, which are treated in the same method as before as contracts whose performance obligations are satisfied at a specific point in time, is recognized when the construction is completed. For contracts with an extremely short construction period, the Company applies an alternative treatment. Revenues of such contracts are not recognized for a certain period of time but are recognized when the construction is completed.

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 fiscal year ended May 31, 2022 has been added to or subtracted from the retained earnings at the beginning of the 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 the fiscal year.

As a result, net sales for the fiscal year ended May 31, 2022 increased by 42 million yen, cost of sales also increased by 19 million yen, "other" under non-operating income decreased by 16 million yen, "other" under non-operating expenses decreased by 41 million yen, and income taxes - deferred increased by 14 million yen. Additionally, notes and accounts receivable - trade, and contract assets increased by 307 million yen, merchandise and finished goods decreased by 232 million yen, raw materials and supplies increased by 405 million yen, deferred tax assets decreased by 14 million yen, and "other" under current liabilities increased by 433 million yen.

Since the Company has adopted the Accounting Standard for Revenue Recognition, etc., "notes and accounts receivable - trade," which was presented under current assets on the consolidated balance sheets of the previous fiscal year, are included in "notes and accounts receivable - trade, and contract assets," effective the second quarter of this fiscal year. In accordance with the transitional treatment prescribed in paragraph 89-2 of the Accounting Standard for Revenue Recognition, no restatement under the new presentation method has been made for the previous fiscal year.

(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 fiscal year ended May 31, 2022. 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 financial statements.

(Segment information, etc.)

(Segment information)

1. Outline of reportable segment information

The Company's reportable segments are components of an entity for which separate financial information is available and evaluated regularly by the Board of Directors in determining the allocation of management resources and in assessing performance.

The Company has business divisions and subsidiaries by the type of product and service. Each division and subsidiary draws up a comprehensive strategy for their products and services at home and aboard and conducts business activities.

Accordingly, our Group consists of segments divided by the type of product and service on the basis of business divisions. It has the following three reportable segments: *Interior Fittings Segment*, *Automotive Textiles and Traffic Facilities Segment*, and *Functional Materials Segment*.

The Interior Fittings Segment manufactures, sells, and installs carpets, curtains, wallpaper, various flooring materials, etc. It also designs, constructs, and supervises construction of spaces. The Automotive Textiles and Traffic Facilities Segment engages in the manufacture and sales of interior materials for automobiles, buses, and railway vehicles. The Functional Materials Segment engages in the manufacture and sales of electric carpets, deodorizing related products, and interior materials for airplanes.

2. Method to calculate net sales, income or loss, assets, liabilities, and other items by reportable segment

The accounting treatment methods applied to the Group's reported business segments largely correspond to the description in "Significant Accounting Policies for the Preparation of Consolidated Financial Statements" disclosed in our latest Securities Report (submitted on August 27, 2021).

Segment income is based on operating income.

Inter-segment sales and transfers are based on current market prices.

3. Information on net sales, income or loss, assets, liabilities, and other items by reportable segment

FY2021 (June 1, 2020 to May 31, 2021)

(Unit: million yen)

	Reportable Segments				Other (Note 1)	Total	Adjustment (Note 2)	Figures in consolidated financial statements (Note 3)
	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total				
Net sales								
Net sales to outside customers	31,024	45,102	3,130	79,257	445	79,702	—	79,702
Inter-segment sales and transfers	654	2	0	657	163	821	(821)	—
Total	31,679	45,104	3,130	79,915	608	80,523	(821)	79,702
Segment income (loss)	579	2,102	(87)	2,595	73	2,668	(1,619)	1,049
Segment assets	25,155	35,275	2,488	62,919	290	63,209	20,459	83,669
Other								
Depreciation and amortization	246	1,430	138	1,815	21	1,836	142	1,979
Investments in equity method affiliates	—	66	—	66	—	66	—	66
Increase in property, plant, and equipment, and intangible assets	1,118	1,393	63	2,576	13	2,590	87	2,677

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

2. Adjustments are as follows:

(1) Adjustment of -1,619 million yen in segment income (loss) includes eliminations among segments of 26 million yen and corporate expenses unallocated to relevant reportable segments of -1,645 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.

(2) Adjustment of 20,459 million yen in segment assets includes eliminations among segments of -74 million yen and corporate assets unallocated to relevant reportable segments of 20,534 million yen. Unallocated corporate assets mainly consist of investment of surplus funds by parent company (cash and deposits), long-term invested funds (investment securities), and assets related to the Administrative division that do not belong to any reportable segment.

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

FY2022 (June 1, 2021 to May 31, 2022)

(Unit: million yen)

	Reportable Segments				Other (Note 1)	Total	Adjustment (Note 2)	Figures in consolidated financial statements (Note 3)
	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total				
Net sales								
Net sales to outside customers	32,811	45,005	3,548	81,364	349	81,713	—	81,713
Inter-segment sales and transfers	737	34	1	773	134	907	(907)	—
Total	33,549	45,039	3,549	82,138	483	82,621	(907)	81,713
Segment income (loss)	911	1,127	(192)	1,846	63	1,910	(1,799)	110
Segment assets	27,892	36,639	3,051	67,583	365	67,948	16,852	84,801
Other								
Depreciation and amortization	273	1,465	24	1,763	18	1,782	132	1,915
Investments in equity method affiliates	—	81	—	81	—	81	—	81
Increase in property, plant, and equipment, and intangible assets	1,586	2,678	216	4,481	12	4,493	142	4,636

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

2. Adjustments are as follows:

(1) Adjustment of -1,799 million yen in segment income (loss) includes eliminations among segments of 29 million yen and corporate expenses unallocated to relevant reportable segments of -1,829 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.

(2) Adjustment of 16,852 million yen in segment assets includes eliminations among segments of -192 million yen and corporate assets unallocated to relevant reportable segments of 17,045 million yen. Unallocated corporate assets mainly consist of investment of surplus funds by parent company (cash and deposits), long-term invested funds (investment securities), and assets related to the Administrative division that do not belong to any reportable segment.

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

(Relevant information)

FY2021 (June 1, 2020 to May 31, 2021)

1. Information by product and service

The disclosure of information by product and service was omitted, since similar information was disclosed in segment information.

2. Information by region

(1) Net sales

(Unit: million yen)

Japan	North and Central America	Asia	Other	Total
56,533	10,448	12,579	140	79,702

(Note) Net sales are classified into the countries or regions based on the geographical location of customers.

(2) Property, plant, and equipment

(Unit: million yen)

Japan	North and Central America	Asia	Total
23,485	3,297	1,245	28,028

3. Information by major customer

The disclosure of information by major customer is omitted, since no sales to a specific outside customer exceeded 10% of the net sales reported on the consolidated income statements.

FY2022 (June 1, 2021 to May 31, 2022)

1. Information by product and service

The disclosure of information by product and service was omitted, since similar information was disclosed in segment information.

2. Information by region

(1) Net sales

(Unit: million yen)

Japan	North and Central America	Asia	Other	Total
57,908	11,666	11,933	204	81,713

(Note) Net sales are classified into the countries or regions based on the geographical location of customers.

(2) Property, plant, and equipment

(Unit: million yen)

Japan	North and Central America	Asia	Total
24,673	3,353	1,526	29,553

3. Information by major customer

The disclosure of information by major customer is omitted, since no sales to a specific outside customer exceeded 10% of the net sales reported on the consolidated income statements.

(Per share information)

	FY2021 (June 1, 2020 to May 31, 2021)	FY2022 (June 1, 2021 to May 31, 2022)
Net assets per share	4,438.67 yen	4,470.49 yen
Profit per share, basic	64.84 yen	44.44 yen

(Note) 1. Profit per share diluted is not stated, since there is no potential common share.

2. The bases to calculate net assets per share are as follows:

	FY2021 (As of May 31, 2021)	FY2022 (As of May 31, 2022)
Total net assets (million yen)	32,956	33,448
Net assets related to common shares (million yen)	28,044	28,304
Main differences (million yen)		
Non-controlling interests	4,911	5,144
Number of common shares issued (1,000 shares)	7,682	7,682
Number of common shares of treasury shares (1,000 shares)	1,363	1,350
Number of common shares used to calculate net assets per share (1,000 shares)	6,318	6,331

3. The bases to calculate profit per share are as follows:

	FY2021 (June 1, 2020 to May 31, 2021)	FY2022 (June 1, 2021 to May 31, 2022)
Profit attributable to owners of parent (million yen)	409	281
Profit not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent concerning common shares (million yen)	409	281
Average number of common shares during the period (1,000 shares)	6,315	6,327

(Significant subsequent events)

Not applicable.