



Consolidated Financial Results for the First Quarter of Fiscal Year 2023 (Japanese GAAP)

October 14, 2022

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 14, 2022 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 FY2023 (June 1, 2022 to August 31, 2022)

(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, 2023	20,765	10.8	(276)	—	(65)	—	(429)	—
Q1 of FY ended May 31, 2022	18,738	20.5	(327)	—	(300)	—	(548)	—

(Note) Comprehensive income Q1 of FY ending May 31, 2023: 491 million yen (— %)

Q1 of FY ended May 31, 2022: (573) million yen (— %)

	Profit per share Basic	Profit per share Diluted
	Yen	Yen
Q1 of FY ending May 31, 2023	(67.90)	—
Q1 of FY ended May 31, 2022	(86.81)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q1 of FY ending May 31, 2023	86,337	33,678	32.9
FY2022	84,801	33,448	33.4

(Reference) Shareholders' equity Q1 of FY ending May 31, 2023: 28,422 million yen FY2022: 28,304 million yen

2. Dividend Information

	Dividend per share				
	First quarter	Second quarter	Third quarter	End of the year	Annual
	Yen	Yen	Yen	Yen	Yen
FY2022	—	35.00	—	35.00	70.00
FY2023	—	—	—	—	—
FY2023 (Forecast)	—	35.00	—	35.00	70.00

(Note) Revision of the latest dividend forecast: No

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

(Note) Revision of the latest forecasts of operational results: No

*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)

Q1 of FY2023	7,682,162 shares	FY2022	7,682,162 shares
Q1 of FY2023	1,350,895 shares	FY2022	1,350,807 shares
Q1 of FY2023	6,331,299 shares	Q1 of FY2022	6,318,284 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 first quarter of the fiscal year under review

(1) Explanation of business results

During the first quarter of the consolidated fiscal year under review, the Japanese economy showed signs of recovery as socioeconomic activities normalized on the back of the easing of behavior restrictions to deal with the COVID-19 pandemic. On the other hand, the supply chain disruptions due to lockdown in China, a shortage of semiconductors and other components, and soaring raw material prices remained significant, and uncertainties such as a sharp decline in the yen continued.

In the interior industry, which relates to the Company's business, domestic new housing starts were down 1.1% year on year, and the floor area of nonresidential construction starts were increased by 25.2% year on year. In the automotive industry, automobile production in the Japanese market was up 0.3% year on year. Both production and sales also increased in overseas markets in the same period of the previous fiscal year.

The Group has been promoting its medium- to long-term management targets, "SUMINOE GROUP WAY 2022-2024-2027," which is now in its second year.

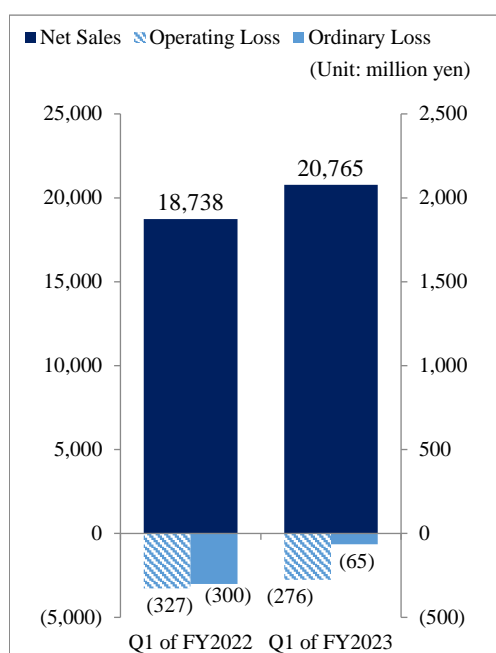
In the Interior Fitting Segment, the Company focuses on increasing sales of environment-friendly and health-conscious products, such as *ECOS®*, eco-friendly carpet tiles under the horizontal recycling system, and products processed with antibacterial and antiviral technology. Furthermore, the Company is striving to expand the scope of its Space Design Business, which involves designing an entire space, with the expectation of generating synergy among Group companies. We will reinforce our competitive edge by flexibly satisfying customer needs in the entire Interior Fitting Segment while working to raise awareness of the SUMINOE brand.

In the Automotive Textiles and Traffic Facilities Segment, we focus on technology development and increasing orders received for non-textile products such as artificial leather in the automotive textiles business, while also striving to provide high value-added products. In addition, due to soaring raw material prices, we are continuing to work on cost reductions by optimizing raw material procurement and production bases for global models. In the traffic facilities business, the Company is striving to manufacture and distribute high-performance fabric materials while making efforts to increase sales of seat cushion materials and safety products for railways and buses. We are prepared to quickly respond to the recovery of demand on the back of the increase in number of passengers of railway and bus operators. In both the automotive textiles business and the traffic facilities business, we develop products applying our processing technologies accumulated in the Interior Fitting Segment, including antibacterial and antiviral effects as well as environment-friendly products.

In the Functional Materials Segment, the Company completed in the previous fiscal year the consolidation of plants in China and Vietnam, which were the production bases for fabric-coated heating products. Starting from the current fiscal year, the plant in Vietnam has become the main plant for the production of fabric-coated heating products. By diversifying regional risks and building an optimal supply system, we will promote responses to the uncertain external environment. Furthermore, by strengthening collaboration with the Technology and Production Headquarters as the development divisions, the Company works to increase the value of its businesses and products and enhance its development sales capability, focusing on securing order receipts in existing businesses and promoting the development and sales of new functional processed products that meet market needs, as well as the application of smart textile technology.

We will celebrate the 140th anniversary of the Company's foundation in 2023. Taking this opportunity, we are working on the Company's branding in pursuit of improvement in corporate brand value. We will also discuss how we should contribute to society through not only profits but also our business, and rebuild the SUMINOE GROUP's unique manufacturing toward the future.

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

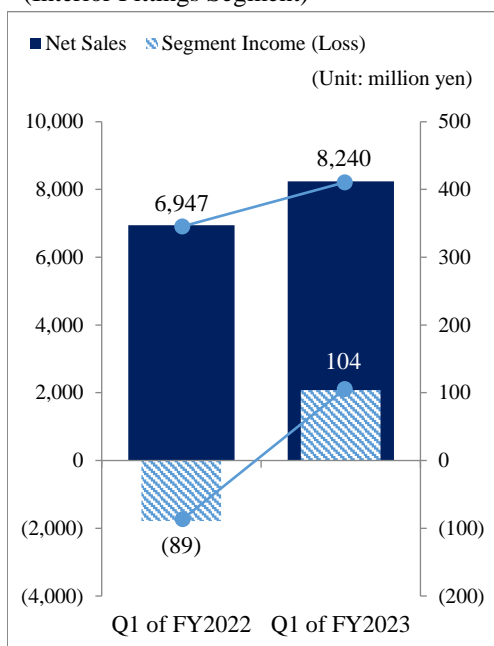


Net sales recorded robust growth of 10.8% on a year-on-year basis to 20,765 million yen owing to a large order received for commercial carpets in the Interior Fittings Segment, and strong sales of wall coverings, and also reflecting an increase in overseas sales in the Automotive Textiles and Traffic Facilities Segment arising partly from the impact of foreign exchange. As to profits, operating loss of 276 million yen (operating loss of 327 million yen in the same period of the previous year) and ordinary loss of 65 million yen (ordinary loss of 300 million yen in the same period of the previous year) were recorded, resulting in loss attributable to owners of parent of 429 million yen (loss attributable to owners of parent of 548 million yen in the same period of the previous year).

The performance by segment is as described below.

Segments	Net sales		Operating income	
	Amount (Million yen)	YY Change (%)	Amount (Million yen)	YY Change (%)
Interior Fittings	8,240	+18.6	104	—
Automotive Textiles and Traffic Facilities	11,789	+6.5	42	(83.2)
Functional Materials	637	(3.2)	58	+371.0
Other	97	+55.3	18	—
Total	20,765	+10.8	223	+28.9
Adjustment	—	—	(500)	—
Consolidated	20,765	+10.8	(276)	—

(Interior Fittings Segment)



Net sales increased by 18.6% year on year to 8,240 million yen, and segment income was 104 million yen (segment loss of 89 million yen in the same period of the previous fiscal year), reflecting a large order received for commercial carpets and partly due to the effect of price revisions for wall coverings.

In commercial carpets, *ECOS®*, eco-friendly carpet tiles under the horizontal recycling system, were adopted in a large-sized office building property, and more properties installed roll carpets for hotels. Consequently, net sales of commercial carpets as a whole grew by 30.6% year on year.

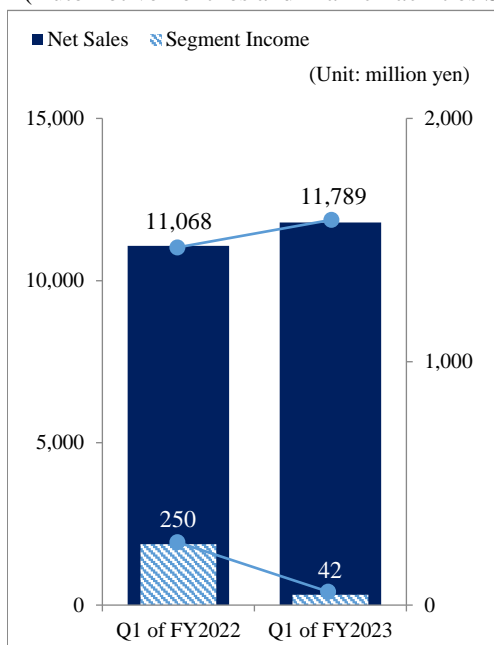
Sales of household carpets were down 9.0% year on year in reaction of continued stay-at-home demand due to the COVID-19 pandemic.

In curtains, sales of *U Life Curtain Vol. 10* for general households showed steady growth. In addition, *Face*, curtains for medical, welfare and educational institutions, recorded strong sales on the back of signs of recovery in the replacement, etc. of curtains at the relevant properties that had been postponed due to the COVID-19 pandemic. As a result, net sales of curtains as a whole were up 12.0% year on year.

Net sales of wall coverings were up 13.1% year on year, with solid sales of both wallpaper and fusuma paper and due partly to the effect of price revisions for some curtain products.

In the Space Design Business, net sales in CPO Co., Ltd. and PRETERIOR-TEXTILE Inc., which became a consolidated subsidiary in January 2022, contributed to the results.

(Automotive Textiles and Traffic Facilities Segment)

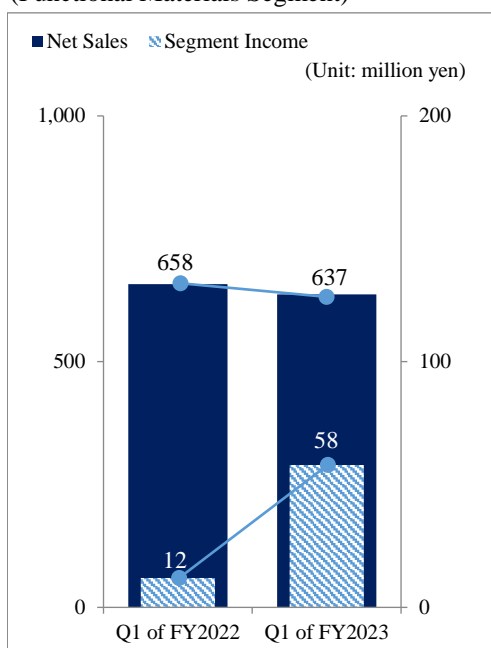


While domestic automotive-related sales were affected by the production reductions of Japanese automobile manufacturers, sales of overseas automotive-related products increased due to the impact of foreign exchange. This resulted in an increase in sales of 6.5% year on year to 11,789 million yen. Segment income decreased by 83.2% year on year to 42 million yen due to soaring in raw material prices and distribution costs, and the impact of disruption of supply chains caused by the lockdown policy in China.

The automotive textiles business was affected by the decrease in production due to a shortage of semiconductors and other components. As a result, domestic sales decreased by 4.0% year on year. Overseas net sales increased by 16.2% year on year due to the effect of foreign exchange and robust sales of automobiles in Southeast Asia despite the impact of lockdowns in China.

In the traffic facilities business, the number of railway and bus passengers has been on an upward trend on the back of the easing of behavior restrictions against COVID-19, etc. While a recovery trend in demand for our interior products was seen for buses, the demand for products for railway vehicles failed to recover. Net sales in the traffic facilities business as a whole fell short of the same period of the previous fiscal year.

(Functional Materials Segment)



Sales of fabric-coated heating products such as electric carpets, one of our core products, shrank due to the decrease in new orders and the postponement of existing orders due to price revisions on the back of soaring raw material prices. Orders received for floor materials for bathrooms were robust, and deodorizing filters for refrigerators also showed brisk sales, whereas sales of filters for fan heaters decreased due to the impact of soaring raw material prices. Consequently, net sales in the Functional Materials Segment as a whole decreased by 3.2% year on year to 637 million yen. Segment income increased by 371.0% year on year to 58 million yen, reflecting the completion of the consolidation of plants in China and Vietnam in the previous fiscal year.

(2) Explanation of financial position

Total assets at the end of the first consolidated accounting quarter under review amounted to 86,337 million yen, up 1,535 million yen from the end of the previous consolidated fiscal year, due to an increase in inventories despite a decrease in cash and deposits.

Liabilities grew to 52,658 million yen, an increase of 1,306 million yen, due to an increase in loans payable.

Net assets grew to 33,678 million yen, an increase of 229 million yen, due to an increase in valuation difference on available-for-sale securities.

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

There are no modifications to the forecasts for the second quarter and the full year of the fiscal year ending May 31, 2023 announced on July 15, 2022.

2. Consolidated quarterly financial statements and major notes

(1) Consolidated quarterly balance sheet

(Unit: million yen)

	FY2022 (As of May 31, 2022)	Q1 of FY2023 (As of August 31, 2022)
Assets		
Current assets		
Cash and deposits	8,150	6,819
Notes and accounts receivable - trade, and contract assets	13,816	15,016
Electronically recorded monetary claims - operating	6,171	5,723
Merchandise and finished goods	10,187	10,587
Work in process	1,828	2,268
Raw materials and supplies	3,605	4,268
Others	3,017	2,559
Allowance for doubtful accounts	(27)	(31)
Total current assets	46,749	47,211
Non-current assets		
Property, plant and equipment		
Land	16,138	16,262
Other, net	13,415	13,708
Total property, plant and equipment	29,553	29,971
Intangible assets	1,834	2,051
Investments and other assets		
Investment securities	4,304	4,799
Deferred tax assets	1,416	1,269
Other	1,159	1,241
Allowance for doubtful accounts	(216)	(206)
Total investments and other assets	6,663	7,103
Total non-current assets	38,051	39,125
Total assets	84,801	86,337

(Unit: million yen)

	FY2022 (As of May 31, 2022)	Q1 of FY2023 (As of August 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,063	11,805
Electronically recorded obligations - operating	4,700	4,493
Short-term loans payable	12,399	14,944
Income taxes payable	507	269
Provision for demolition costs	33	39
Other	5,342	4,418
Total current liabilities	35,046	35,970
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term loans payable	5,600	6,102
Deferred tax liabilities	308	314
Provision for directors' retirement benefit	137	122
Net defined benefit liability	4,197	4,151
Other	5,062	4,997
Total non-current liabilities	16,306	16,688
Total liabilities	51,352	52,658
Net assets		
Shareholders' equity		
Capital stock	9,554	9,554
Capital surplus	2,626	2,626
Retained earnings	11,480	10,828
Treasury shares	(3,949)	(3,950)
Total shareholders' equity	19,711	19,058
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	545	944
Deferred gains or losses on hedges	58	44
Revaluation reserve for land	6,922	6,922
Foreign currency translation adjustment	1,170	1,514
Remeasurements of defined benefit plans	(104)	(62)
Total accumulated other comprehensive income	8,593	9,363
Non-controlling interests	5,144	5,256
Total net assets	33,448	33,678
Total liabilities and net assets	84,801	86,337

(2) Consolidated quarterly statement of income and comprehensive income

Consolidated quarterly statement of income

(The first quarter of FY2023)

(Unit: million yen)

	Q1 of FY2022 (June 1, 2021 to August 31, 2021)	Q1 of FY2023 (June 1, 2022 to August 31, 2022)
Net sales	18,738	20,765
Cost of sales	14,891	16,548
Gross profit	3,847	4,217
Selling, general and administrative expenses	4,175	4,493
Operating loss	(327)	(276)
Non-operating income		
Interest income	6	6
Dividend income	36	33
Share of income of entities accounted for using equity method	3	16
Foreign exchange gains	—	105
Real estate rent	65	68
Dividend income of insurance	21	25
Other	65	53
Total non-operating income	198	309
Non-operating expenses		
Interest expenses	51	75
Foreign exchange losses	98	—
Rent expenses on real estates	8	8
Other	12	14
Total non-operating expenses	171	98
Ordinary loss	(300)	(65)
Extraordinary income		
Gain on sales of non-current assets	0	2
Gain on sales of investment securities	—	0
Total extraordinary income	0	2
Extraordinary loss		
Loss on sales and retirement of non-current assets	24	7
Total extraordinary loss	24	7
Loss before income taxes	(324)	(70)
Income taxes – current	158	185
Income taxes – deferred	(22)	91
Total income taxes	135	276
Loss	(460)	(347)
Profit attributable to non-controlling interests	88	82
Loss attributable to owners of parent	(548)	(429)

Consolidated quarterly statements of comprehensive income
(The first quarter of FY2023)

(Unit: million yen)

	Q1 of FY2022 (June 1, 2021 to August 31, 2021)	Q1 of FY2023 (June 1, 2022 to August 31, 2022)
Loss	(460)	(347)
Other comprehensive income		
Valuation difference on available-for-sale securities	(96)	399
Deferred gains or losses on hedges	(0)	(8)
Foreign currency translation adjustment	(23)	412
Remeasurements of defined benefit plans	7	41
Share of other comprehensive income of entities accounted for using equity method	(0)	(5)
Total other comprehensive income	(113)	839
Comprehensive income	(573)	491
Comprehensive income attributable to:		
Owners of parent	(647)	340
Non-controlling interests	74	151

(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

(Segment information)

I Q1 of FY2022 (June 1, 2021 to August 31, 2021)

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.

II Q1 of FY2023 (June 1, 2022 to August 31, 2022)

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	8,240	11,789	637	20,667	97	20,765	—	20,765
Inter-segment sales and transfers	185	19	0	204	33	237	(237)	—
Total	8,425	11,809	637	20,871	131	21,003	(237)	20,765
Segment income	104	42	58	205	18	223	(500)	(276)

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

2. Adjustment of -500 million yen in segment income includes eliminations among segments of 10 million yen and corporate expenses unallocated to relevant reportable segments of -510 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 loss in consolidated quarterly statement of income.