

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

January 13, 2023

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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 Responsible contact person (Title) Managing Director, General Manager, Corporate Planning Department
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 Scheduled date of filing of quarterly report: January 13, 2023 Scheduled date of dividend payment: February 13, 2023
 Preparation of supplementary explanatory documents for quarterly financial results: No
 Holding analyst meeting for quarterly 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 the 2nd Quarter of FY2023 (June 1, 2022 to November 30, 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	%
Q2 of FY ending May 31, 2023	45,407	15.5	(218)	—	148	(74.9)	(687)	—
Q2 of FY ended May 31, 2022	39,323	4.7	(174)	—	593	—	48	—

(Note) Comprehensive income Q2 of FY ending May 31, 2023: 787 million yen (— %)
 Q2 of FY ended May 31, 2022: (149) million yen (— %)

	Profit per share Basic	Profit per share Diluted
	Yen	Yen
Q2 of FY ending May 31, 2023	(108.55)	—
Q2 of FY ended May 31, 2022	7.71	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q2 of FY ending May 31, 2023	88,836	33,934	32.2
FY2022	84,801	33,448	33.4

(Reference) Shareholders' equity Q2 of FY ending May 31, 2023: 28,602 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	—	35.00	—	—	—
FY2023 (Forecast)	—	—	—	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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	89,000	8.9	1,700	—	1,800	89.4	500	77.8	78.86

(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)

Q2 of FY2023	7,682,162 shares	FY2022	7,682,162 shares
Q2 of FY2023	1,338,317 shares	FY2022	1,350,807 shares
Q2 of FY2023	6,336,696 shares	Q2 of FY2022	6,324,048 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 second quarter of the fiscal year under review

(1) Explanation of business results

During the first six months of the fiscal year ending May 31, 2023, the Japanese economy remained on a moderate recovery trend as socioeconomic activities continued to normalize on the back of easing of behavior restrictions to deal with the COVID-19 pandemic although there have been waves in the number of COVID-19 cases. On the other hand, the economic outlook remains uncertain on account of the supply chain disruptions due to lockdowns in China, a shortage of semiconductors and other components, soaring raw material prices, and sharp fluctuations in foreign exchange rates.

In the interior industry, which relates to the Company's business, domestic new housing starts were down 0.9% year on year, and the floor area of nonresidential construction starts were increased by 3.1% year on year. In the automotive industry, automobile production in the Japanese market was up 14.6% 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.

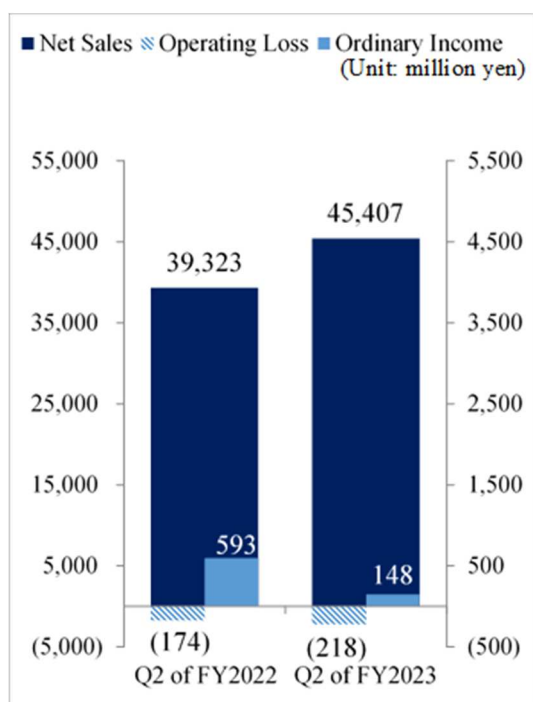
In the Interior Fitting Segment, the Company focuses on increasing sales of environment-friendly and functional products, such as *ECOS®*, eco-friendly carpet tiles under the horizontal recycling system. In 2022, the Company won the FY2022 Resources Recirculation Technologies and Systems Award, conferred by the Director-General of the Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry, in recognition of its social contribution through the reduction of waste realized through a recycling system of construction materials. 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 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 second quarter of this fiscal year are as follows.

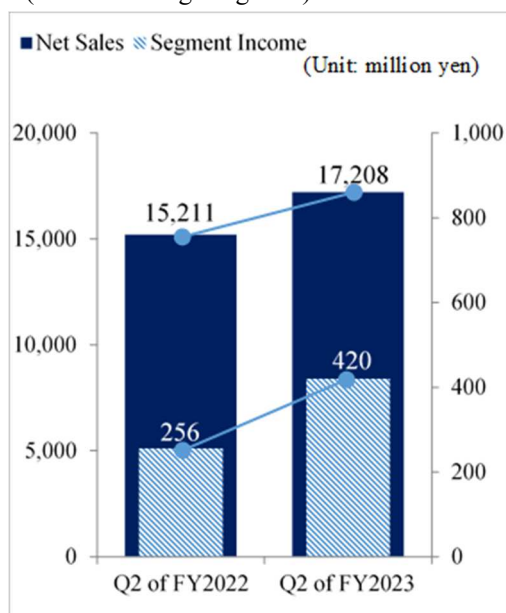


Net sales increased by 15.5% year on year to 45,407 million yen. This is because in the Automotive Textiles and Traffic Facilities Segment, domestic automotive-related sales remained firm as the supply shortage of semiconductors and other components was abated and overseas automotive-related sales also increased mainly due to the effect of foreign exchange, and the Interior Fittings Segment also secured a large order for commercial carpets. As to profits, operating loss of 218 million yen (operating loss of 174 million yen in the same period of the previous year) was recorded and ordinary income decreased by 74.9% year on year to 148 million yen as the Automotive Textiles and Traffic Facilities Segment was affected by the soaring raw material and energy prices and distribution costs. We also recognized an impairment loss on property, plant and equipment as an extraordinary loss in conjunction with a transfer of non-current assets, which resulted in loss attributable to owners of parent of 687 million yen (income attributable to owners of parent of 48 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	17,208	+13.1	420	+63.8
Automotive Textiles and Traffic Facilities	25,550	+18.3	230	(48.2)
Functional Materials	2,452	+4.2	109	+438.2
Other	195	+21.0	38	+70.2
Total	45,407	+15.5	798	+7.2
Adjustment	—	—	(1,017)	—
Consolidated	45,407	+15.5	(218)	—

(Interior Fittings Segment)



Net sales increased by 13.1% year on year to 17,208 million yen, and segment income was increased by 63.8% year on year to 420 million yen, 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 made-to-order roll carpets for hotels. Consequently, net sales of commercial carpets as a whole grew by 27.4% year on year.

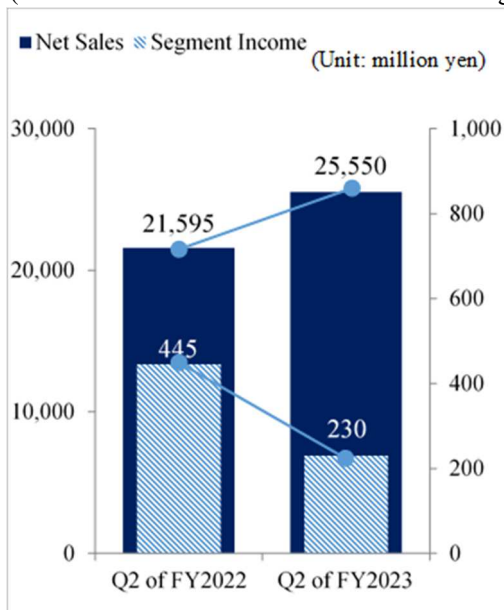
Sales of household carpets were down 9.9% year on year due to a significant reactionary fall in demand from the elevated levels of stay-at-home demand during the COVID-19 pandemic.

In curtains, sales of *U Life Curtain Vol. 10* for general households remained strong. In addition, sales of *mode S Curtain Vol. 10*, which was launched in July, also made a robust start. As a result, net sales of curtains as a whole were up 7.0% year on year.

Net sales of wall coverings remained firm and were up 11.0% year on year mainly due to the effect of price revision to reflect soaring raw material prices.

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)

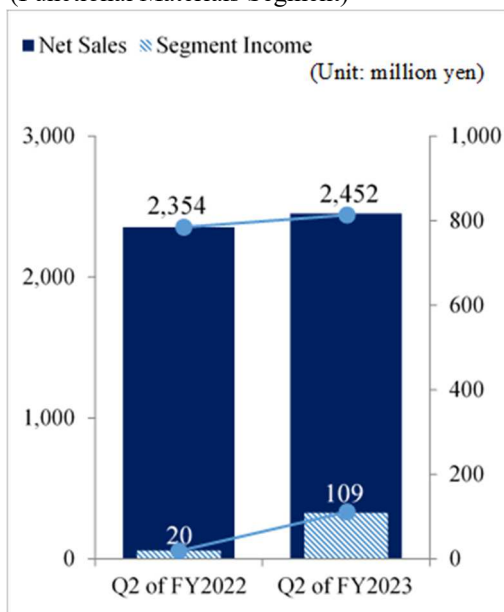


While domestic automotive-related sales remained solid, overseas automotive-related sales also increased mainly due to the effect of foreign exchange. As a result, net sales increased by 18.3% year on year to 25,550 million yen. Segment income decreased by 48.2% year on year to 230 million yen mainly due to soaring raw material and energy prices and distribution costs as well as a decline in income at our Chinese subsidiaries.

In the automotive textiles business, domestic production increased as the supply shortage of semiconductors and other components was abated. As a result, domestic sales increased by 9.3% year on year. Overseas net sales increased by 26.4% year on year mainly because of foreign exchange and robust sales of automobiles in Southeast Asia on the back of recovery from the COVID-19 pandemic.

In the traffic facilities business, the number of railway and bus passengers has been on an upward trend mainly on the back of the easing of behavior restrictions against COVID-19. Sales of products for railway vehicles did not increase year on year although refurbishing works have shown a recovery trend. On the other hand, demand for our interior products for buses was on a recovery trend. As a result, net sales in the traffic facilities business as a whole exceeded the results for 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, increased from the same period of the previous fiscal year because the timing of delivery of products scheduled for 2022 was moved up in the second quarter although the number of new orders received for products scheduled to be delivered in 2022 decreased because of price revisions that reflect soaring raw material prices. In deodorizing filters, while orders received for deodorizing filters for air purifiers softened, filters for refrigerators remained strong. Floor materials for bathrooms also remained firm. Consequently, net sales in the Functional Materials Segment as a whole increased by 4.2% year on year to 2,452 million yen. Segment income increased by 438.2% year on year to 109 million yen, reflecting the completion of the consolidation of plants in China and Vietnam in the previous fiscal year.

(2) Explanation of financial position

(i) Financial position

Total assets at the end of the second consolidated accounting quarter under review amounted to 88,836 million yen, up 4,035 million yen from the end of the previous consolidated fiscal year, due to an increase in notes and accounts payable-trade despite a decrease in cash and deposits.

Liabilities grew to 54,902 million yen, an increase of 3,549 million yen, due to an increase in loans payable.

Net assets grew to 33,934 million yen, an increase of 485 million yen, due to an increase in valuation difference on available-for-sale securities.

(ii) Cash flows

Cash and cash equivalents at the end of second quarter of the consolidated fiscal year amounted to 6,975 million yen, down 995 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 used in operating activities amounted to 211 million yen (960 million yen used in the same period of the previous year) due to an increase in notes and accounts receivable - trade of 2,149 million yen and income taxes paid of 538 million yen, despite recording depreciation of 1,111 million yen and an increase in notes and accounts payable - trade of 1,004 million yen,.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 2,170 million yen (net cash of 1,961 million yen was used in the same period of the previous year) due to purchase of property, plant and equipment of 1,858 million yen.

(Cash flows from financing activities)

Net cash provided in financing activities amounted to 1,202 million yen (net cash of 1,588 million yen was used in the same period of the previous year) due to net increase in short-term loans payable of 1,280 million yen and proceeds from long-term loans payable of 2,750 million yen, despite repayments of long-term loans payable of 1,941 million yen and lease obligations of 405 million yen.

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

There is no change in the forecasts for the full year of the fiscal year ending May 31, 2023 announced on July 15, 2022. If it becomes necessary to revise the forecasts in view of the future trend in our business results, the revision will be disclosed promptly.

2. Consolidated quarterly financial statements and major notes

(1) Consolidated quarterly balance sheet

(Unit: million yen)

	FY2022 (As of May 31, 2022)	Q2 of FY2023 (As of November 30, 2022)
Assets		
Current assets		
Cash and deposits	8,150	7,125
Notes and accounts receivable - trade, and contract assets	13,816	16,111
Electronically recorded monetary claims - operating	6,171	6,998
Merchandise and finished goods	10,187	10,044
Work in process	1,828	2,030
Raw materials and supplies	3,605	4,470
Other	3,017	2,643
Allowance for doubtful accounts	(27)	(31)
Total current assets	46,749	49,392
Non-current assets		
Property, plant and equipment		
Land	16,138	16,274
Other, net	13,415	13,741
Total property, plant and equipment	29,553	30,015
Intangible assets	1,834	1,941
Investments and other assets		
Investment securities	4,304	5,167
Deferred tax assets	1,416	1,349
Other	1,159	1,176
Allowance for doubtful accounts	(216)	(206)
Total investments and other assets	6,663	7,486
Total non-current assets	38,051	39,443
Total assets	84,801	88,836

(Unit: million yen)

	FY2022 (As of May 31, 2022)	Q2 of FY2023 (As of November 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,063	12,144
Electronically recorded obligations - operating	4,700	5,946
Short-term loans payable	12,399	14,190
Income taxes payable	507	471
Provision for demolition costs	33	39
Other	5,342	4,454
Total current liabilities	35,046	37,246
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term loans payable	5,600	7,071
Deferred tax liabilities	308	315
Provision for directors' retirement benefit	137	132
Net defined benefit liability	4,197	4,159
Other	5,062	4,976
Total non-current liabilities	16,306	17,655
Total liabilities	51,352	54,902
Net assets		
Shareholders' equity		
Capital stock	9,554	9,554
Capital surplus	2,626	2,611
Retained earnings	11,480	10,571
Treasury shares	(3,949)	(3,913)
Total shareholders' equity	19,711	18,823
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	545	1,231
Deferred gains or losses on hedges	58	(7)
Revaluation reserve for land	6,922	6,922
Foreign currency translation adjustment	1,170	1,688
Remeasurements of defined benefit plans	(104)	(55)
Total accumulated other comprehensive income	8,593	9,779
Non-controlling interests	5,144	5,332
Total net assets	33,448	33,934
Total liabilities and net assets	84,801	88,836

(2) Consolidated quarterly statement of income and comprehensive income

Consolidated quarterly statement of income

(The second quarter of FY2023)

(Unit: million yen)

	Q2 of FY2022 (June 1, 2021 to November 30, 2021)	Q2 of FY2023 (June 1, 2022 to November 30, 2022)
Net sales	39,323	45,407
Cost of sales	31,251	36,556
Gross profit	8,071	8,851
Selling, general and administrative expenses	8,246	9,069
Operating loss	(174)	(218)
Non-operating income		
Interest income	12	15
Dividend income	61	58
Share of income of entities accounted for using equity method	12	28
Foreign exchange gains	49	239
Real estate rent	132	135
Dividend income of insurance	508	—
Other	121	109
Total non-operating income	899	586
Non-operating expenses		
Interest expenses	103	175
Rent expenses on real estates	16	19
Other	11	23
Total non-operating expenses	131	218
Ordinary income	593	148
Extraordinary income		
Gain on sales of non-current assets	1	9
Gain on sales of investment securities	91	0
Total extraordinary income	92	9
Extraordinary loss		
Loss on sales and retirement of non-current assets	72	13
Impairment loss	—	183
Total extraordinary loss	72	197
Profit (loss) before income taxes	612	(39)
Income taxes – current	339	456
Income taxes – deferred	31	(1)
Total income taxes	370	454
Profit (loss)	241	(493)
Profit attributable to non-controlling interests	193	193
Profit (loss) attributable to owners of parent	48	(687)

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

(Unit: million yen)

	Q2 of FY2022 (June 1, 2021 to November 30, 2021)	Q2 of FY2023 (June 1, 2022 to November 30, 2022)
Profit (loss)	241	(493)
Other comprehensive income		
Valuation difference on available-for-sale securities	(469)	685
Deferred gains or losses on hedges	(0)	(65)
Foreign currency translation adjustment	63	613
Remeasurements of defined benefit plans	15	48
Share of other comprehensive income of entities accounted for using equity method	0	(1)
Total other comprehensive income	(391)	1,281
Comprehensive income	(149)	787
Comprehensive income attributable to:		
Owners of parent	(343)	498
Non-controlling interests	193	289

(3) Consolidated quarterly statement of cash flows

(Unit: million yen)

	Q2 of FY2022 (June 1, 2021 to November 30, 2021)	Q2 of FY2023 (June 1, 2022 to November 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	612	(39)
Depreciation	1,001	1,111
Impairment loss	—	183
Increase (decrease) in net defined benefit liability	32	25
Increase (decrease) in provision for directors' retirement benefits	(14)	(5)
Increase (decrease) in allowance for doubtful accounts	1	(6)
Interest and dividend income	(74)	(73)
Interest expenses	103	175
Share of loss (profit) of entities accounted for using equity method	(12)	(28)
Loss (gain) on sales and retirement of non-current assets	71	4
Loss (gain) on sales of investment securities	(91)	(0)
Decrease (increase) in notes and accounts receivable - trade	(80)	(2,149)
Decrease (increase) in inventories	(910)	(18)
Increase (decrease) in notes and accounts payable - trade	(840)	1,004
Decrease (increase) in consumption taxes refund receivable	(124)	535
Increase (decrease) in accrued consumption taxes payable	(180)	(4)
Decrease (increase) in other current assets	(58)	(372)
Increase (decrease) in other current liabilities	168	87
Other	67	(69)
Subtotal	(329)	361
Interest and dividend income received	72	73
Interest expenses paid	(103)	(158)
Income taxes paid	(628)	(538)
Income taxes refund	29	51
Net cash provided by (used in) operating activities	(960)	(211)
Cash flows from investing activities		
Payments into time deposits	(229)	(150)
Proceeds from withdrawal of time deposits	180	180
Purchase of securities	(11)	(0)
Proceeds from sales and redemption of securities	12	3
Purchase of property, plant and equipment	(1,781)	(1,858)
Proceeds from sales of property, plant and equipment	55	115
Proceeds from earnest related sales of property, plant and equipment	136	—
Payments for retirement of property, plant and equipment	(430)	—
Purchase of intangible assets	(61)	(46)
Payments for asset retirement obligations	—	(1)
Purchase of investment securities	(8)	(10)
Proceeds from sales and redemption of investment securities	177	21
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	26
Payments of loans receivable	(2)	(0)
Collection of loans receivable	2	2
Payments for acquisition of businesses	—	(452)
Other	—	0
Net cash provided by (used in) investing activities	(1,961)	(2,170)

(Unit: million yen)

	Q2 of FY2022 (June 1, 2021 to November 30, 2021)	Q2 of FY2023 (June 1, 2022 to November 30, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	244	1,280
Proceeds from long-term loans payable	—	2,750
Repayments of long-term loans payable	(1,026)	(1,941)
Repayments of lease obligations	(420)	(405)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(126)	(221)
Cash dividends paid to non-controlling interests	(258)	(259)
Net cash provided by (used in) financing activities	(1,588)	1,202
Effect of exchange rate change on cash and cash equivalents	37	183
Net increase (decrease) in cash and cash equivalents	(4,472)	(995)
Cash and cash equivalents at beginning of period	10,756	7,970
Cash and cash equivalents at end of period	6,283	6,975

(4) 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 Q2 of FY2022 (June 1, 2021 to November 30, 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	15,211	21,595	2,354	39,162	161	39,323	—	39,323
Inter-segment sales and transfers	352	7	0	360	71	431	(431)	—
Total	15,564	21,602	2,355	39,522	232	39,755	(431)	39,323
Segment income	256	445	20	722	22	745	(919)	(174)

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

2. Adjustment of (919) million yen in segment income includes eliminations among segments of 13 million yen and corporate expenses unallocated to relevant reportable segments of (933) 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.

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

Omitted as it is not significant.

II Q2 of FY2023 (June 1, 2022 to November 30, 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	17,208	25,550	2,452	45,212	195	45,407	—	45,407
Inter-segment sales and transfers	336	20	0	357	68	426	(426)	—
Total	17,545	25,571	2,453	45,570	263	45,833	(426)	45,407
Segment income	420	230	109	760	38	798	(1,017)	(218)

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

2. Adjustment of (1,017) million yen in segment income includes eliminations among segments of 29 million yen and corporate expenses unallocated to relevant reportable segments of (1,046) 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.

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

Impairment loss on non-current assets has been recorded in the Interior Fittings Segment and the Automotive Textiles and Traffic Facilities Segment. The amount of the impairment loss recorded for the six months ended November 30, 2022 was 180 million yen in the Interior Fittings Segment and 3 million yen in the Automotive Textiles and Traffic Facilities Segment.