



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

April 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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Scheduled date of filing of quarterly report: April 13, 2023 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 3rd Quarter of FY2023 (June 1, 2022 to February 28, 2023)

(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	%
Q3 of FY ending May 31, 2023	68,837	15.2	78	—	360	(24.1)	(680)	—
Q3 of FY ended May 31, 2022	59,759	2.3	(311)	—	474	(29.1)	(338)	—

(Note) Comprehensive income Q3 of FY ending May 31, 2023: 479 million yen (— %)
Q3 of FY ended May 31, 2022: (86) million yen (—%)

	Profit per share Basic	Profit per share Diluted
	Yen	Yen
Q3 of FY ending May 31, 2023	(107.29)	—
Q3 of FY ended May 31, 2022	(53.50)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q3 of FY ending May 31, 2023	88,669	33,404	31.6
FY2022	84,801	33,448	33.4

(Reference) Shareholders' equity Q3 of FY ending May 31, 2023: 28,052 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)	—	—	—	20.00	55.00

(Note) Revision of the latest dividend forecast: Yes

For dividend forecast, please refer to “Notice on the Revisions to the Business Forecast and Dividend Forecast” which we have announced today.

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
Full year	94,000	15.0	1,100	893.9	1,300	36.8	200	(28.9)	31.55

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

For the revisions to the business forecast, please refer to “Notice on the Revisions to the Business Forecast and Dividend Forecast” which we have announced today.

*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)

Q3 of FY2023	7,682,162 shares	FY2022	7,682,162 shares
Q3 of FY2023	1,338,421 shares	FY2022	1,350,807 shares
Q3 of FY2023	6,338,812 shares	Q3 of FY2022	6,326,331 shares

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

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

(Note) The summary of quarterly financial results is outside the scope of quarterly review by a certified public accountant or an accounting firm.

(Note) Explanation on the appropriate use of forecasts and other special issues

(Note on the forward-looking statements)

The forward-looking statements in this document concerning forecasts of performance, etc. are based on currently available information, and contain uncertain factors. The actual performance may be significantly different from the forecasts due to various factors.

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

(1) Explanation of business results

During the first nine months of the consolidated fiscal year ending May 31, 2023 the Japanese economy maintained a moderate recovery trend supported by a move toward the normalization of social and economic activities for the new normal on the back of the easing of behavioral restrictions against COVID-19. On the other hand, prospects remain unpredictable with raw material prices and energy costs remaining at high levels and the short supply of components continuing due to geopolitical risks such as the Ukraine crisis, and concerns over drastic fluctuations in foreign exchange rates arising from worldwide financial tightening together with economic downside risks.

In the interior industry, which relates to the Company's business, the domestic new housing starts and the floor area of nonresidential construction starts remained almost at the same level as in the previous fiscal year. Moreover, automobile production in the Japanese market was up 11.6% year on year. Both production and sales in overseas markets increased and exceeded the results for the same period of the previous 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.

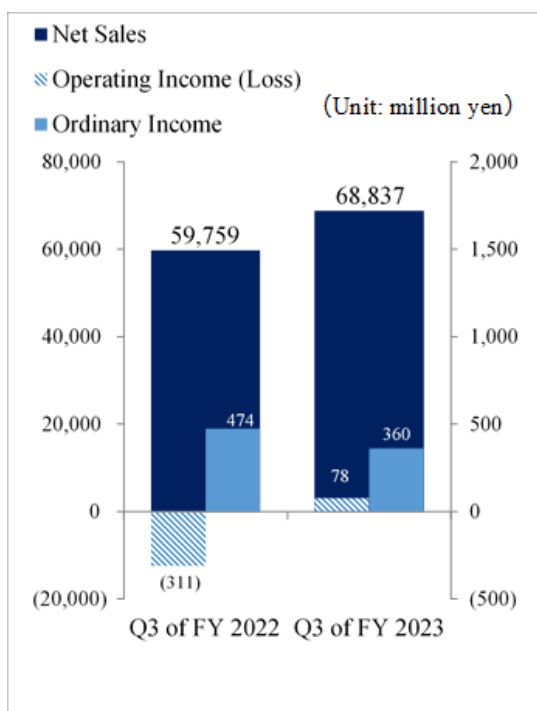
In the Interior Fitting Segment, the Company focuses on increasing sales of environment-friendly and functional products, such as *ECOS®*, eco-friendly carpet tiles under the horizontal recycling system. In 2022, the Company won the FY2022 Resources Recirculation Technologies and Systems Award, conferred 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 we rebuild the SUMINOE GROUP's unique manufacturing toward the future.

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

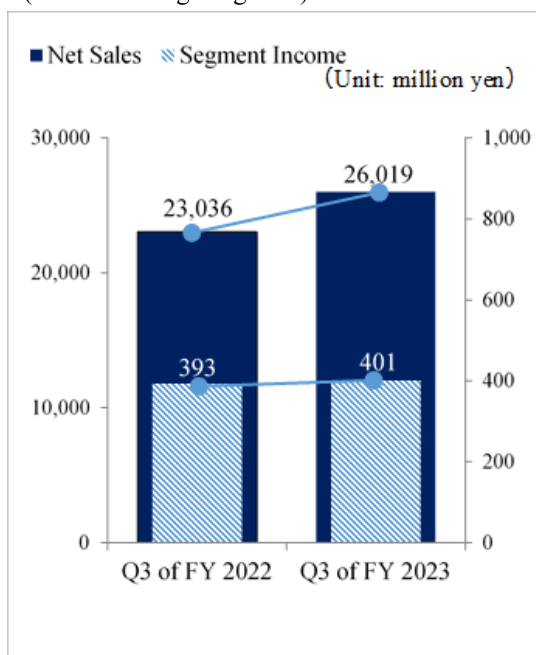


Net sales increased to 68,837 million yen, a year-on-year increase of 15.2%, and operating income was 78 million yen (operating loss of 311 million yen in the same period of the previous fiscal year). These results were attributable to an increase in domestic automobile production by Japanese car manufacturers in addition to the favorable impact of foreign exchange rates in the Automotive Textiles and Traffic Facilities Segment, and also a large order received for commercial carpets by the Interior Fittings Segment. Ordinary income fell by 24.1% year on year to 360 million yen, due to the absence of subsidy income received in the same period of the previous fiscal year after the finalization of loan repayment waivers under “Paycheck Protection Program” in the United States. Furthermore, extraordinary loss includes an impairment loss on property, plant and equipment due to a transfer of non-current assets. As a result, loss attributable to owners of parent was 680 million yen (loss attributable to owners of parent of 338 million yen in the same period of the previous fiscal year).

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	26,019	+12.9	401	+2.1
Automotive Textiles and Traffic Facilities	39,530	+18.2	1,038	+53.6
Functional Materials	3,003	(1.9)	146	—
Other	283	+24.5	45	+53.2
Total	68,837	+15.2	1,632	+55.7
Adjustment	—	—	(1,554)	—
Consolidated	68,837	+15.2	78	—

(Interior Fittings Segment)



Net sales increased by 12.9% year on year to 26,019 million yen, and segment income was increased by 2.1% year on year to 401 million yen, reflecting a large order received for commercial carpets, steady growth in curtain sales 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. Consequently, net sales of commercial carpets as a whole grew by 16.7% year on year.

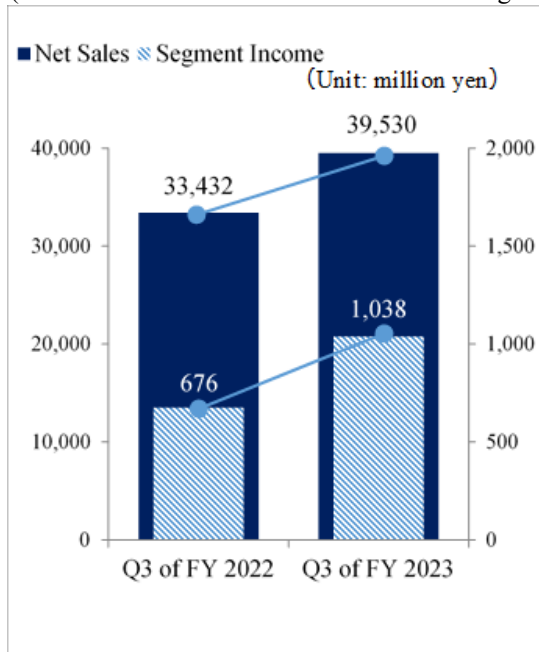
Sales of household carpets were down 13.8% year on year due to a significant reactionary fall in demand from the elevated levels of stay-at-home demand during the COVID-19 pandemic.

In curtains, sales of *mode S Curtain Vol. 10* for general households, which was launched in July 2022, showed steady growth and *U Life Curtain Vol. 10* also recorded strong sales. As a result, net sales of curtains as a whole were up 3.9% year on year.

Net sales of wall coverings increased by 9.8% year on year, reflecting price revisions to cover soaring raw material prices and robust sales of a catalogue of fusuma paper, *Keisho Vol. 32*, which was launched in February 2023.

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)

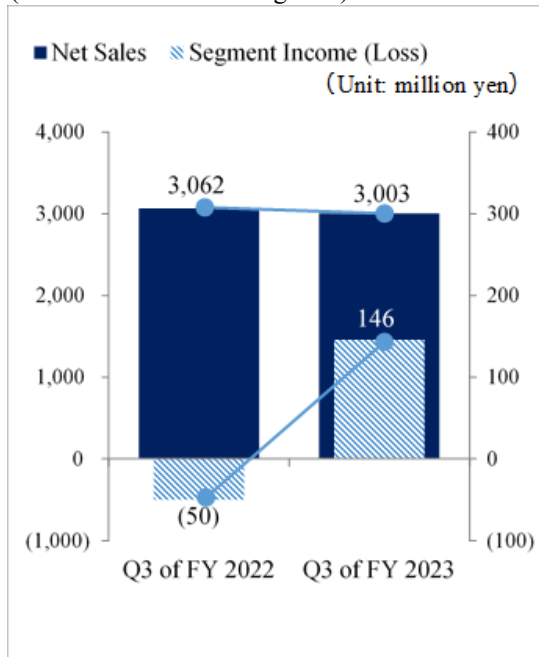


Together with robust sales of domestic automotive-related sales, sales of overseas automotive-related products also increased, mainly due to the favorable impact of foreign exchange rates. As a result, net sales in the Automotive Textiles and Traffic Facilities Segment as a whole grew by 18.2% year on year to 39,530 million yen. Segment income increased by 53.6% year on year to 1,038 million yen, reflecting strong growth in Southeast Asia and improved profit in North and Central America despite sharp increases in raw material prices, energy costs and distribution costs in addition to a decrease in sales at our business bases in China.

In the automotive textiles business, domestic production increased due to the easing of the shortage of semiconductors and other components. As a result, domestic sales increased by 9.5% year on year. Sales in the overseas market were negatively affected by the change in the status of behavioral restrictions against COVID-19 at our business sites in China and also by the production of new cars for which orders were received. Meanwhile, both the effect of foreign exchange and robust sales of automobiles in Southeast Asia due to recovery from the COVID-19 pandemic contributed to an increase in net sales outside Japan by 25.0% year on year.

In the traffic facilities business, the number of railway and bus passengers has a tendency to increase on the back of the easing of behavior restrictions against COVID-19. Sales of products for railway vehicles increased over the year on year because refurbishing works have shown a recovery trend. Moreover, 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, remained almost at the same level as in the same period of the previous fiscal year, reflecting the effect of price revisions to cover higher raw material prices despite a decrease in new orders for delivery in 2022. Orders received for floor materials for bathrooms grew steadily, and filters for refrigerators among deodorizing and filter-related products also showed brisk sales on the back of new orders received. On the other hand, deodorizing filters for air cleaners experienced sluggish sales due to a negative repercussion of demand during the COVID-19 pandemic. As a consequence, net sales in the Functional Materials Segment as a whole decreased by 1.9% year on year to 3,003 million yen. As to profits, segment income was 146 million yen (segment loss of 50 million yen in the same period of the previous year) 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 third consolidated accounting quarter under review amounted to 88,669 million yen, an increase of 3,868 million yen from the end of the previous consolidated fiscal year, due to an increase in trade receivables.

Liabilities grew to 55,265 million yen, an increase of 3,913 million yen, due to an increase in trade payable and loans payable.

Net assets shrank to 33,404 million yen, a decrease of 44 million yen, due to a decrease in retained earnings despite an increase in valuation difference on available-for-sale securities.

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

Based on the business performance as of today, we have revised the full-year forecast announced on July 15, 2022 for the consolidated fiscal year ending May 2023. For details, please refer to “Notice on the Revisions to the Business Forecast and Dividend Forecast” which we have announced today.

2. Consolidated quarterly financial statements and major notes

(1) Consolidated quarterly balance sheet

(Unit: million yen)

	FY2022 (As of May 31, 2022)	Q3 of FY2023 (As of February 28, 2023)
Assets		
Current assets		
Cash and deposits	8,150	6,375
Notes and accounts receivable - trade, and contract assets	13,816	15,673
Electronically recorded monetary claims - operating	6,171	7,532
Merchandise and finished goods	10,187	10,223
Work in process	1,828	2,127
Raw materials and supplies	3,605	4,543
Other	3,017	2,899
Allowance for doubtful accounts	(27)	(27)
Total current assets	46,749	49,348
Non-current assets		
Property, plant and equipment		
Land	16,138	16,635
Other, net	13,415	13,331
Total property, plant and equipment	29,553	29,966
Intangible assets	1,834	1,790
Investments and other assets		
Investment securities	4,304	5,104
Deferred tax assets	1,416	1,397
Other	1,159	1,214
Allowance for doubtful accounts	(216)	(152)
Total investments and other assets	6,663	7,564
Total non-current assets	38,051	39,321
Total assets	84,801	88,669

(Unit: million yen)

	FY2022 (As of May 31, 2022)	Q3 of FY2023 (As of February 28, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,063	11,509
Electronically recorded obligations - operating	4,700	6,887
Short-term loans payable	12,399	13,865
Income taxes payable	507	409
Provision for demolition costs	33	—
Other	5,342	3,999
Total current liabilities	35,046	36,672
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term loans payable	5,600	7,914
Deferred tax liabilities	308	310
Provision for directors' retirement benefit	137	134
Net defined benefit liability	4,197	4,150
Other	5,062	5,083
Total non-current liabilities	16,306	18,593
Total liabilities	51,352	55,265
Net assets		
Shareholders' equity		
Capital stock	9,554	9,554
Capital surplus	2,626	2,611
Retained earnings	11,480	10,356
Treasury shares	(3,949)	(3,913)
Total shareholders' equity	19,711	18,608
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	545	1,206
Deferred gains or losses on hedges	58	18
Revaluation reserve for land	6,922	6,922
Foreign currency translation adjustment	1,170	1,345
Remeasurements of defined benefit plans	(104)	(49)
Total accumulated other comprehensive income	8,593	9,444
Non-controlling interests	5,144	5,351
Total net assets	33,448	33,404
Total liabilities and net assets	84,801	88,669

(2) Consolidated quarterly statement of income and comprehensive income

Consolidated quarterly statement of income

(The third quarter of FY2023)

(Unit: million yen)

	Q3 of FY2022 (June 1, 2021 to February 28, 2022)	Q3 of FY2023 (June 1, 2022 to February 28, 2023)
Net sales	59,759	68,837
Cost of sales	47,556	55,109
Gross profit	12,203	13,727
Selling, general and administrative expenses	12,514	13,648
Operating income (loss)	(311)	78
Non-operating income		
Interest income	19	22
Dividend income	91	80
Share of income of entities accounted for using equity method	17	21
Foreign exchange gains	12	183
Real estate rent	200	202
Dividend income of insurance	514	—
Other	137	144
Total non-operating income	993	655
Non-operating expenses		
Interest expenses	155	297
Rent expenses on real estates	23	31
Other	27	44
Total non-operating expenses	207	373
Ordinary income	474	360
Extraordinary income		
Gain on sales of non-current assets	3	33
Gain on sales of investment securities	93	44
Total extraordinary income	97	78
Extraordinary loss		
Loss on sales and retirement of non-current assets	75	15
Impairment loss	—	183
Loss on valuation of investment securities	0	—
Total extraordinary loss	75	199
Profit (loss) before income taxes	496	239
Income taxes – current	459	645
Income taxes – deferred	70	(28)
Total income taxes	530	616
Profit (loss)	(33)	(377)
Profit attributable to non-controlling interests	305	302
Profit (loss) attributable to owners of parent	(338)	(680)

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

(Unit: million yen)

	Q3 of FY2022 (June 1, 2021 to February 28, 2022)	Q3 of FY2023 (June 1, 2022 to February 28, 2023)
Profit (loss)	(33)	(377)
Other comprehensive income		
Valuation difference on available-for-sale securities	(331)	661
Deferred gains or losses on hedges	0	(42)
Foreign currency translation adjustment	254	180
Remeasurements of defined benefit plans	22	55
Share of other comprehensive income of entities accounted for using equity method	0	2
Total other comprehensive income	(53)	856
Comprehensive income	(86)	479
Comprehensive income attributable to:		
Owners of parent	(438)	170
Non-controlling interests	351	308

(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 Q3 of FY2022 (June 1, 2021 to February 28, 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	23,036	33,432	3,062	59,531	227	59,759	—	59,759
Inter-segment sales and transfers	553	26	0	580	108	689	(689)	—
Total	23,590	33,458	3,063	60,112	336	60,448	(689)	59,759
Segment income (loss)	393	676	(50)	1,019	29	1,049	(1,360)	(311)

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

2. Adjustment of (1,360) million yen in segment income (loss) includes eliminations among segments of 21 million yen and corporate expenses unallocated to relevant reportable segments of (1,381) million yen.

Unallocated corporate expenses mainly consist of expenses for the Administrative division and R&D division that do not belong to any reportable segment.

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

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

Omitted as it is not significant.

II Q3 of FY2023 (June 1, 2022 to February 28, 2023)

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	26,019	39,530	3,003	68,553	283	68,837	—	68,837
Inter-segment sales and transfers	503	26	0	530	105	636	(636)	—
Total	26,522	39,557	3,004	69,084	389	69,473	(636)	68,837
Segment income	401	1,038	146	1,586	45	1,632	(1,554)	78

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

2. Adjustment of (1,554) million yen in segment income includes eliminations among segments of 47 million yen and corporate expenses unallocated to relevant reportable segments of (1,601) 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 income 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 nine months ended February 28, 2023 was 180 million yen in the Interior Fittings Segment and 3 million yen in the Automotive Textiles and Traffic Facilities Segment.