



Consolidated Financial Results for the First Quarter of Fiscal Year 2024 (Japanese GAAP)

October 12, 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: October 12, 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 1st Quarter of FY2024 (June 1, 2023 to August 31, 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	%
Q1 of FY ending May 31, 2024	23,921	15.2	454	—	637	—	370	—
Q1 of FY ended May 31, 2023	20,765	10.8	(276)	—	(65)	—	(429)	—

(Note) Comprehensive income Q1 of FY ending May 31, 2024: 1,542 million yen (213.7 %)

Q1 of FY ended May 31, 2023: 491 million yen (— %)

	Profit per share Basic	Profit per share Diluted
	Yen	Yen
Q1 of FY ending May 31, 2024	58.41	—
Q1 of FY ended May 31, 2023	(67.90)	—

(Note) Profit per share diluted for the first quarter of fiscal year ended May 2023 is not stated since there is no potential common share. Profit per share diluted for the first quarter of fiscal year ending May 2024 is not stated since there is no potential common share equivalent that have a dilutive effect.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q1 of FY ending May 31, 2024	90,604	35,478	33.2
FY2023	88,151	34,113	32.7

(Reference) Shareholders' equity Q1 of FY ending May 31, 2024: 30,105 million yen FY2023: 28,861 million yen

2. Dividend Information

	Dividend per share				
	First quarter	Second quarter	Third quarter	End of the year	Annual
	Yen	Yen	Yen	Yen	Yen
FY2023	—	35.00	—	20.00	55.00
FY2024	—	—	—	—	—
FY2024 (Forecast)	—	35.00	—	35.00	70.00

(Note) Revision of the latest dividend forecast: No

3. Forecast of Consolidated Financial Results for FY2024 (June 1, 2023 to May 31, 2024)

(% 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	49,500	9.0	900	—	1,000	572.4	500	—	77.74
Full year	99,000	4.4	2,600	100.8	2,700	71.4	1,300	305.7	200.49

(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” 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)

Q1 of FY2024	7,682,162 shares	FY2023	7,682,162 shares
Q1 of FY2024	1,328,721 shares	FY2023	1,338,540 shares
Q1 of FY2024	6,346,014 shares	Q1 of FY2023	6,331,299 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 first quarter of the fiscal year under review

(1) Explanation of business results

During the first three months of the consolidated fiscal year ending May 31, 2024, the Japanese economy witnessed a gradual recovery trend as shown in robust personal consumption and the increase in inbound demand on the back of the reclassification of COVID-19 under the Infectious Diseases Control Act to Category V in May 2023. However, the impact of the advancement of the weaker yen including the domestic situation, continuation of worldwide financial tightening, and remaining raw material prices and energy costs at high level due to the Ukraine crisis on the economic environment remains a concern.

In the interior industry, which relates to the Company's business, domestic new housing starts were down 7.0% year on year, and the floor area of nonresidential construction starts were decreased by 26.9% year on year. In the automotive industry, automobile production in the Japanese market was up 13.2% year on year. Production in overseas markets also increased 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 third year.

In the Interior Fittings 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. 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 Fittings Segment while working to raise awareness of the SUMINOE brand.

In the Automotive Textiles and Traffic Facilities Segment, efforts are being made in the automotive textiles business on global development of the decorative fabric business, technological development and increasing orders received for non-textile products, such as synthetic leather. Concurrently, we also strive to expand sales of eco-friendly products, such as *ECONIX*, a seat covering material that utilizes *SUMITRON*®, recycled polyester fiber. While optimizing raw material procurement and production locations, we continue to work on appropriately passing the rising cost on to our product prices. In the traffic facilities business, we are preparing for development and production systems to quickly respond to the recovery of demand on the back of the increase in passengers experienced by railway and bus operators by sophisticating designs and functions through collaboration with Seki Textile Co., Ltd., which was converted into a subsidiary in the previous fiscal year. Furthermore, our efforts are also focused on market expansion to products other than interior textiles for railway vehicles and buses and on development in new fields.

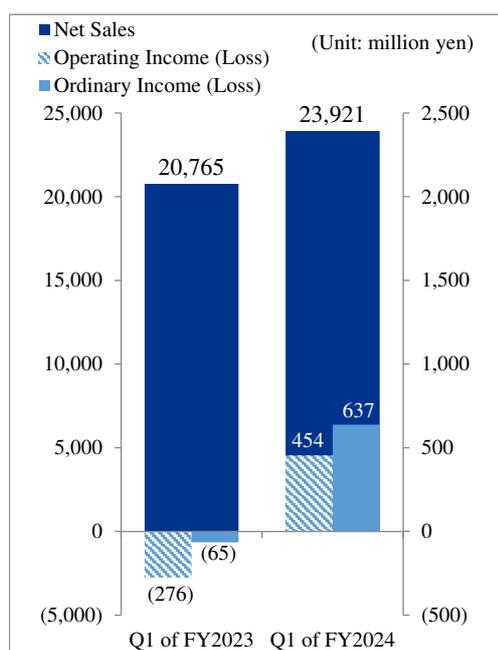
In the Functional Materials Segment, the plant reorganization was completed by relocating from China, where the production base of fabric-coated heating products was located, to Vietnam, thereby making the plant in Vietnam the main plant of fabric-coated heating products since the previous fiscal year. By diversifying regional risks and building a more optimal supply system, we will promote responses to the uncertain external environment. Furthermore, by strengthening collaboration with the Technology and Production Headquarters as development divisions and also by working to accelerate product development and enhance the capability of development and sales, the Company strives to secure order receipts in existing businesses, establish new functional processing technologies that meet market needs, and promote development and sales through the utilization of new functional materials.

For the entire Group, we are reconstructing our core system and raising the accuracy of our consolidated performance management, thus working steadily on building a foundation for business growth. In the previous fiscal year, we introduced credit/debit and general accounting systems, which form the basis of the financial accounting system, and a production management system to the Company. Going forward, these will be expanded to the entire Group to realize a more sophisticated management system, reduce maintenance and operating costs, and improve efficiency through operational improvements.

Having marked the 140th anniversary of the Company's foundation in 2023, we are working on the Company's

branding in pursuit of improvement in corporate brand value. In the previous fiscal year, we have once again identified the strengths of the SUMINOE GROUP and the benefits it provides to society. On June 1, 2023, SUMINOE GROUP announced its Group Philosophy, the unified Group logo that has been brushed up while continuing the tradition of the Seahorse mark and tagline 「あらゆる空間に、イノベーションを。」. Under these, the entire Group will unite to promote business and create synergy across businesses, aiming to enhance corporate value over the medium to long term.

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

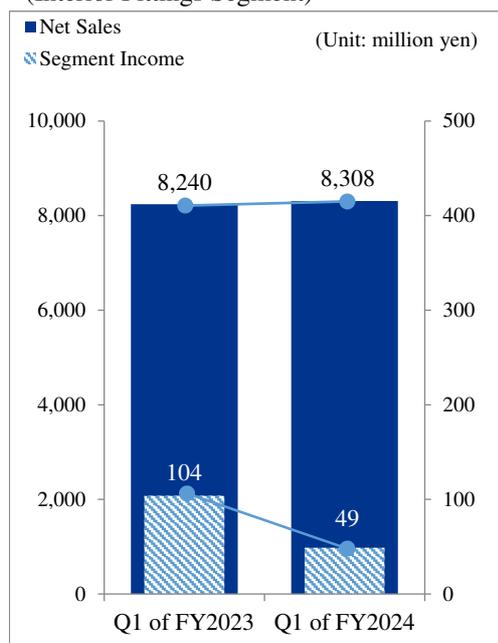


Net sales recorded robust growth of 15.2% on a year-on-year basis to 23,921 million yen owing to an increase in automobile production volume both in Japan and abroad by Japanese car manufacturers and growth in sales in Automotive Textiles and Traffic Facilities Segment. As to profits, due to increased sales and progress in optimizing production systems and improving profitability in line with business restructuring at North and Central American bases, operating income of 454 million yen (operating loss of 276 million yen in the same period of the previous year) and ordinary income of 637 million yen (ordinary loss of 65 million yen in the same period of the previous year) were recorded, resulting in profit attributable to owners of parent of 370 million yen (loss attributable to owners of parent of 429 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	8,308	+0.8	49	(53.1)
Automotive Textiles and Traffic Facilities	14,862	+26.1	859	—
Functional Materials	649	+1.8	45	(21.8)
Other	100	+2.6	22	+22.4
Total	23,921	+15.2	976	+337.2
Adjustment	—	—	(522)	—
Consolidated	23,921	+15.2	454	—

(Interior Fittings Segment)



Commercial carpets sold mainly for carpet tiles volume growth and Space Design Business showed steady growth. As a result, net sales increased by 0.8% year on year to 8,308 million yen. As to profits, segment income decreased 53.1% year on year to 49 million yen, due to sluggish sales of household carpets.

In commercial carpets, *ECOS®* sold by SUMINOE Co., Ltd., eco-friendly carpet tiles under the horizontal recycling system, increased number of deliveries and sales volume. Consequently, net sales of commercial carpets as a whole grew by 4.6% year on year.

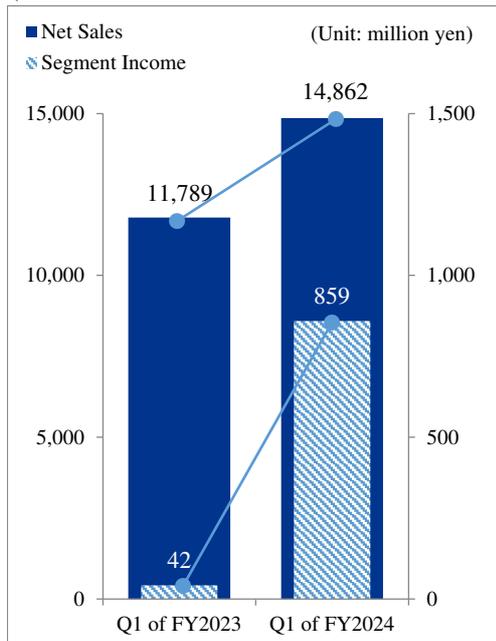
In household carpets, sales of *itten* that custom-made rugs were robust, and paved the way for development and sales of pet-related products as a new sales channel. However, the market remained sluggish due to reaction to stay-at-home demand. As a result, net sales were down 15.1% year on year.

In curtains, sales of *U Life Curtain Vol. 10* for general households and *Face*, curtains for medical, welfare and educational institutions showed steady growth. As a result, net sales of curtains as a whole were up 1.1% year on year.

In wall coverings, net sales were up 5.2% year on year, with sales of some products distributed by RUNON CO., LTD. led the Segment, and fusuma paper also recorded strong sales.

In the Space Design Business, net sales were up 8.4% year on year due to increase in number of deliveries.

(Automotive Textiles and Traffic Facilities Segment)

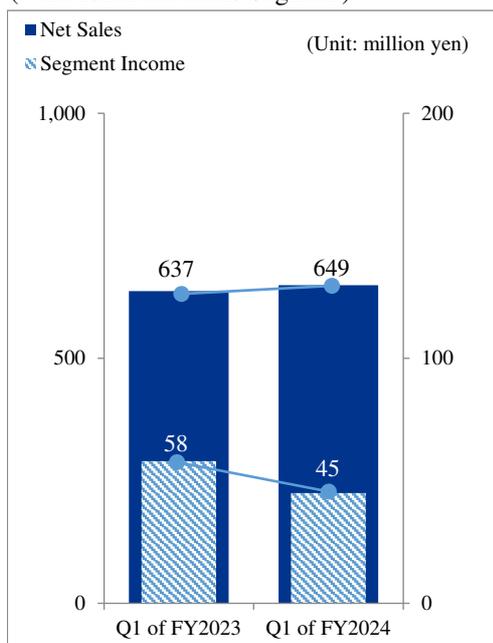


Automobile-related sales in Japan and abroad were strong, together with automobile production volume of Japanese car manufacturers increased, and demand for our interior products for traffic facilities was on a recovery trend. This resulted in an increase in sales of 26.1% year on year to 14,862 million yen. In addition to increased sales at automobile-related bases in Japan and abroad, business restructuring at North and Central American bases also made a significant contribution, and refurbishing works for railway was also on a recovery trend, resulting in segment income of 859 million yen (segment income of 42 million yen in the same period of the previous fiscal year).

In automotive textiles business, domestic sales increased by 27.6% year on year thanks to a recovery in production from the end of the supply shortage of semiconductors and components. Furthermore, while Japanese automakers struggled in China, there was an increase in production in North and Central America and a favorable exchange rate, in addition to robust automobile sales in Southeast Asia, which resulted in a year-on-year increase of 22.7% in overseas sales.

In the traffic facilities business, the increase in the movement of people, including inbound tourists, has led to an increase in the number of railway and bus passengers. Therefore, sales of products for railway vehicles increased over the year on year. 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, are increased over the same period in the previous fiscal year, reflecting the effect of the change in the delivery timing. In addition, an increase in orders for floor materials for bathrooms, which were boosted by strong sales by customers. Consequently, net sales in the Functional Materials Segment as a whole increased by 1.8% year on year to 649 million yen. As to profits, despite the launch of products in new genres, deodorizing filters for air cleaners, which had been expected to recover from sluggish sales as a negative repercussion of the special demand during the COVID-19 pandemic, showed weak performance. As a result, segment income decreased by 21.8% year on year to 45 million yen.

(2) Explanation of financial position

Total assets at the end of the first consolidated accounting quarter under review amounted to 90,604 million yen, up 2,453 million yen from the end of the previous consolidated fiscal year, due to an increase in Cash and deposits.

Liabilities grew to 55,125 million yen, an increase of 1,087 million yen, due to an increase in loans payable.

Net assets grew to 35,478 million yen, an increase of 1,365 million yen, due to an increase in retained earnings.

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

Based on the business performance as of today, we have revised the first half of fiscal year ending May 2024 forecast announced on July 14, 2023. For details, please refer to “Notice on the Revisions to the Business Forecast” which we have announced today.

2. Consolidated quarterly financial statements and major notes

(1) Consolidated quarterly balance sheet

(Unit: million yen)

	FY2023 (As of May 31, 2023)	Q1 of FY2024 (As of August 31, 2023)
Assets		
Current assets		
Cash and deposits	7,079	7,653
Notes and accounts receivable - trade, and contract assets	15,814	15,176
Electronically recorded monetary claims - operating	7,385	7,561
Merchandise and finished goods	9,583	9,738
Work in process	2,023	2,539
Raw materials and supplies	4,316	4,214
Others	2,705	3,321
Allowance for doubtful accounts	(28)	(26)
Total current assets	48,880	50,178
Non-current assets		
Property, plant and equipment		
Land	16,640	16,760
Other, net	13,335	14,137
Total property, plant and equipment	29,976	30,898
Intangible assets	1,656	1,604
Investments and other assets		
Investment securities	4,904	5,171
Deferred tax assets	1,663	1,545
Other	1,222	1,358
Allowance for doubtful accounts	(152)	(152)
Total investments and other assets	7,638	7,922
Total non-current assets	39,271	40,426
Total assets	88,151	90,604

(Unit: million yen)

	FY2023 (As of May 31, 2023)	Q1 of FY2024 (As of August 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,237	10,518
Electronically recorded obligations - operating	7,596	6,956
Short-term loans payable	12,841	13,599
Income taxes payable	493	324
Other	4,839	5,214
Total current liabilities	36,008	36,613
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term loans payable	7,438	7,651
Deferred tax liabilities	311	320
Provision for directors' retirement benefit	96	98
Net defined benefit liability	4,111	4,112
Other	5,070	5,328
Total non-current liabilities	18,029	18,511
Total liabilities	54,037	55,125
Net assets		
Shareholders' equity		
Capital stock	9,554	9,554
Capital surplus	2,611	2,602
Retained earnings	11,207	11,450
Treasury shares	(3,913)	(3,884)
Total shareholders' equity	19,458	19,722
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,143	1,443
Deferred gains or losses on hedges	27	29
Revaluation reserve for land	6,922	6,922
Foreign currency translation adjustment	1,362	2,032
Remeasurements of defined benefit plans	(52)	(44)
Total accumulated other comprehensive income	9,403	10,383
Share acquisition rights	—	3
Non-controlling interests	5,251	5,370
Total net assets	34,113	35,478
Total liabilities and net assets	88,151	90,604

(2) Consolidated quarterly statement of income and comprehensive income

Consolidated quarterly statement of income

(The first quarter of FY2024)

(Unit: million yen)

	Q1 of FY2023 (June 1, 2022 to August 31, 2022)	Q1 of FY2024 (June 1, 2023 to August 31, 2023)
Net sales	20,765	23,921
Cost of sales	16,548	18,801
Gross profit	4,217	5,119
Selling, general and administrative expenses	4,493	4,665
Operating income (loss)	(276)	454
Non-operating income		
Interest income	6	6
Dividend income	33	25
Share of income of entities accounted for using equity method	16	—
Foreign exchange gains	105	179
Real estate rent	68	69
Dividend income of insurance	25	24
Other	53	37
Total non-operating income	309	343
Non-operating expenses		
Interest expenses	75	83
Foreign exchange losses	—	58
Rent expenses on real estates	8	3
Other	14	16
Total non-operating expenses	98	161
Ordinary income (loss)	(65)	637
Extraordinary income		
Gain on sales of non-current assets	2	2
Gain on sales of investment securities	0	101
Total extraordinary income	2	104
Extraordinary loss		
Loss on sales and retirement of non-current assets	7	1
Total extraordinary loss	7	1
Profit (loss) before income taxes	(70)	740
Income taxes - current	185	258
Income taxes - deferred	91	(13)
Total income taxes	276	244
Profit (loss)	(347)	495
Profit attributable to non-controlling interests	82	124
Profit (loss) attributable to owners of parent	(429)	370

Consolidated quarterly statements of comprehensive income
(The first quarter of FY2024)

(Unit: million yen)

	Q1 of FY2023 (June 1, 2022 to August 31, 2022)	Q1 of FY2024 (June 1, 2023 to August 31, 2023)
Profit (loss)	(347)	495
Other comprehensive income		
Valuation difference on available-for-sale securities	399	300
Deferred gains or losses on hedges	(8)	7
Foreign currency translation adjustment	412	736
Remeasurements of defined benefit plans	41	7
Share of other comprehensive income of entities accounted for using equity method	(5)	(6)
Total other comprehensive income	839	1,046
Comprehensive income	491	1,542
Comprehensive income attributable to:		
Owners of parent	340	1,350
Non-controlling interests	151	191

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

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.

II Q1 of FY2024 (June 1, 2023 to August 31, 2023)

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	8,308	14,862	649	23,820	100	23,921	—	23,921
Inter-segment sales and transfers	179	0	3	183	31	214	(214)	—
Total	8,487	14,863	652	24,003	131	24,135	(214)	23,921
Segment income	49	859	45	954	22	976	(522)	454

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

2. Adjustment of (522) million yen in segment income includes eliminations among segments of 9 million yen and corporate expenses unallocated to relevant reportable segments of (532) 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.