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For Immediate Release

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Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Update)

SUMINOE Co., Ltd. (hereinafter, “the Company”) hereby announces that at the Board of Directors meeting held on July 11, 2025, we have analyzed and evaluates the current status, and update future initiatives regarding “Action to Implement Management that is Conscious of Cost of Capital and Stock Price”.

Details

1. Analysis of current situation

Under the policy set forth in “STEP II (2025-2027),” (hereinafter, “SGW STEP II”) which is for the last three years of its medium- to long-term management targets “SUMINOE GROUP WAY 2022-2024-2027,” the Group is implementing various measures to achieve our target rates of returns. During the consolidated fiscal year ended May 31, 2025, which is the first year of SGW STEP II, in the automotive textiles business, at North and Central American bases, the deterioration of production efficiency due to fluctuations in the production plans of automakers has lasted longer than expected, and in addition, affected by the struggles of Japanese automakers in sales in China and Southeast Asia, the profits at each stage fell below the initial plan. The Company has estimated its cost of equity at around 5 to 7% (calculated using CAPM) and aims to achieve an ROE that exceeds the cost of equity during the period of SGW STEP II. However, the actual ROE was 2.1% due to the factors mentioned above.

In a situation where the market environment surrounding the automotive textiles business is becoming increasingly uncertain, we recognize that in order to achieve a level of ROE that exceeds the cost of equity going forward, the most important task is to first improve the operating margin of our core business under SGW STEP II. In addition, we believe it is also necessary to curb the cost of capital.

【Consolidated Management Indicators and Others】

*PBR and PER are calculated based on the closing prices on the last trading day of each fiscal year.

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026 (Forecast)
Net sales (million yen)	91,512	79,702	81,713	94,828	103,478	104,791	105,000
Operating income (million yen) Operating margin (%)	1,557 1.7	1,049 1.3	110 0.1	1,294 1.4	3,300 3.2	3,001 2.9	3,100 3.0
Ordinary income (million yen)	1,323	1,211	950	1,575	3,668	2,514	3,350
Profit attributable to owners of parent (million yen)	142	409	281	320	874	669	1,500
PER (times)	88.2	29.3	37.8	43.4	18.8	23.1	—
PBR (times)	0.4	0.4	0.4	0.5	0.5	0.5	—
ROE (%)	0.5	1.5	1.0	1.1	2.9	2.1	—

2. Policy for Improvement

In SGW STEP II, the Company has set the target rates of return as an operating margin of 5.0%, an ROE of 8.0%, and a PBR of 1.0 times. As explained in the current situation analysis above, the Company’s profits at each level for the fiscal year ended May 31, 2025 did not reach the initial plan, and the Company has disclosed new planned values for the fiscal year ending May 31, 2026 as our forecast of financial results dated July 11, 2025. Currently, the automotive textiles business is being significantly affected by production cuts and withdrawals by Japanese automakers in China, and uncertainty is growing due to the tariff policies of the new U.S. administration. However, there are signs that our sales promotion activities toward overseas automakers are beginning to bear fruit, and we have plans to return the functional materials business to the black. For these reasons, the Company has decided to maintain our current plans and target rates of return for the final fiscal year ending May 31, 2027.

The Company will continue to pursue the five priority themes of SGW STEP II, while working to achieve our target rates of return and curb the cost of capital by raising awareness of our medium- to long-term growth strategy in the stock market, shareholder returns and enhancing IR activities.

3. Specific Initiatives

(1) Achievement for medium- to long-term management targets “SUMINOE GROUP WAY 2022-2024-2027”

By pursuing five priority themes while steadily raising the level of our true capabilities, we aim to achieve our target rate of return (Operating margin 5.0%, ROE 8.0%, PBR 1.0 times) by the fiscal year ending May 31, 2027.

■ Improving profitability

By focusing on growth businesses and strengthening existing businesses, we aim to secure a stable revenue base and continuously improve profitability.

- A stable supply of high-quality products that meet customer needs from the synthetic leather plant newly established in our Mexican subsidiary. (automotive textiles)
- Differentiation through unique decorative fabric business. (automotive textiles)
- Proposals and responses, such as emergency escape ladders, to railway companies for them to strengthen safety and disaster prevention measures. (traffic facilities)
- Expand the lineup of value-added products for the medium- to high-end range and create a new series of them to increase customer appeal. (interior fittings)
- Increase the market share of *ECOS*®, eco-friendly carpet tiles under the horizontal recycling system, with an appealing environmental profile. (interior fittings)
- Focus on high added value areas by revising the product portfolio. (interior fittings)
- Develop and promote sales expansion of summer home appliances. (functional materials)
- Maximize synergy effects through cross-departmental collaboration. (all our business)
- Implement price pass-through activities to secure appropriate profits and build a sustainable supply chain. (all our business)
- Improve productivity through capital investment and restructuring and streamlining of production systems. (all our business)

■ Further strengthening global expansion

By increasing diversity and updating our global strategy, we will increase our presence in overseas markets.

- Strengthen coordination between domestic and overseas bases and expand sales channels to foreign-affiliated automakers through participation in overseas exhibitions and presentations. (automotive textiles)
- Strengthen cost competitiveness and optimize the global supply system by restructuring the production system at our Vietnam base. (automotive textiles and functional materials)
- Build a structure to expand sales of interior products globally. (interior fittings)
- Hire and develop global human resources. (throughout the Group)
- Utilize the career self-declaration system. (throughout the Group)

■ Enhancing non-textile areas

We will further evolve the core technology that we have cultivated in the textile field while focusing on developing non-textile products and increasing orders for them.

- Develop new materials utilizing the synthetic leather plant newly established in our Mexican subsidiary. (automotive textiles)
- Expand the filter product lineup by adding new functions such as freshness preservation. (functional materials)
- Achieve differentiation from competitors by developing and expanding products and services that provide new added value, such as synthetic leather and space design business. (all our business)

■ Strengthening management base

By promoting sustainability management and strengthening corporate governance, we will increase transparency and reduce the cost of capital.

- Develop and secure human resources to support the growth of the Group. (throughout the Group)
- Reduce cross-shareholdings. (throughout the Group)
- Restructure core systems. (throughout the Group)

■ Branding

In order to increase awareness of “SUMINOE” both in Japan and overseas, we will continue to actively promote measures to strengthen branding while strengthening our overall corporate capabilities.

- Strengthen the competitiveness of the SUMINOE brand under the leadership of the Brand Strategy Department. (interior fittings)
- Strengthen cooperation within the Group through cross-departmental exchanges. (throughout the Group)
- Place corporate brand advertisements. (throughout the Group)
- Enhance awareness and penetration of the Group's philosophy and management policy using internal branding strategies. (throughout the Group)
- Increase visibility of company logos through business tools, etc. (throughout the Group)

(2) Policy of Dividend

The Company has established the policy on shareholder returns of 'stable shareholder returns' and 'continuous expansion of returns'. While striving to strengthen our financial position and enhance the internal reserves necessary for active business expansion, we have set a minimum annual dividend of 35 yen, except in cases where our financial results have declined significantly due to a sudden deterioration of the business environment. We have raised our dividend payout ratio from 33% to 38% and aim to achieve an annual dividend of 70 yen in the fiscal year ending May 31, 2027 by achieving consolidated net sales of 100 billion yen or more and an operating margin of 5% or more.

*Effective March 1, 2025, the Company conducted a 2-for-1 stock split of its common stock. Therefore, the annual dividends shown take into account the impact of this stock split.

(3) Enhancing IR activities

The Company is actively engaged in constructive dialogue with its shareholders and investors in order to achieve sustainable growth of the Group and improve its corporate value over the medium to long term, as well as to foster market understanding. In the fiscal year ended May 31, 2025, in addition to holding financial results briefings twice a year, the President gave company briefings for individual investors and the officer in charge of investor relations held one-on-one meetings with institutional investors. In addition to timely disclosure, in order to promote constructive dialogue, we also focus on disseminating IR-related information by, for example, using sponsored reports that provide information from a neutral standpoint and transcription services for financial results briefings held for institutional investors. Also, by increasing opportunities to communicate with shareholders and investors, such as extensive information disclosure, one-on-one interviews, and company information briefings, we will continue to work to gain greater understanding of the Group and ensure transparency.

4. Outlook

While the target rates of return under SGW STEP II remain unchanged, the business environment surrounding the Company is facing increasing uncertainty about the outlook for the global economy, triggered by the shift to protectionist policies by the new U.S. administration, in addition to the prolonged high prices of raw materials and energy amid an unstable international situation. At present, we believe that the direct impact of the tariff hikes imposed by the new U.S. administration will be limited. However, if we determine that there is a possibility that changes in the business environment may have a significant impact on the Company's performance in the future, we will promptly disclose such information.

*The above-mentioned forecasts of performance are based on currently available information. The actual performance may be significantly different from the forecasts due to various factors.