Suminoe Textile Co., Ltd.
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ANNUAL REPORT 2015

Suminoe Textile Co., Ltd.

ANNUAL REPORT 2015

YEAR ENDED MAY 31.2015

Suminoe Textile Co., Ltd.

Company Purpose

We contribute to the improvement of society through production, sales of good products and prosperity of business.

Company Motto

We pride ourselves as a pioneer in the interior design and furnishing industry and persist in the spirit of cooperation, sincerity and resolution.

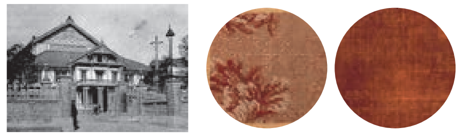
History

1883

At the age of 35 founder Denshichi Murata purchased 3 looms in 1883 and began manufacturing carpets.

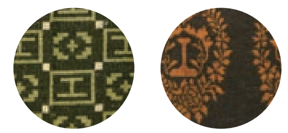
1891

In 1891, Suminoe Textile supplied carpet for the establishment of Japan's Imperial Diet Building in Hibiya. We have been serving as its supplier for 120 years since then.



1896

Successful production of hand-woven moquette in 1896, adopted by Japan National Railways for seat covering in 1899.



1913

Suminoe Textile Joint-Stock Company is established.

1930

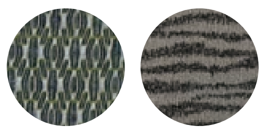
Suminoe Textile Co., Ltd. is established.

1949

Shares listed on the Tokyo, Osaka, and Kyoto stock exchanges.

1958

Starting with our supply of nylon seat covering to Toyota Motor Corporation in 1958, our products have been used by various Japanese automobile manufacturers one after another.



1980

Nara Factory began production of Japan's first carpet tiles.

1994

Current subsidiary, T.C.H.Suminoe Co., Ltd. is jointly established in Thailand.

Meiji Era 1883 — 1891 — 1896 — Taisho Era 1913 — Showa Era 1930 — 1949 — 1958 — 1980 — Heisei Era 1994 — 1998 — 2003 — 2005 — 2010 — 2011 — 2013 — 2014 — 2015

Suminoe Textile supplied carpet to various major architectural structures during the Meiji era.
We have thus advanced together with Japan from its start as a modern nation.

2013 *100th Anniversary*

We celebrated the 130th anniversary of our founding and the 100th anniversary of our incorporation.

2015

Acquired Bondtex, Inc. and made it a consolidated subsidiary.

1998

TRIPLE FRESH® deodorant treatment technology developed.

2003

Suminoe Textile of America Corporation is established in the U.S.
Current subsidiary, Suzhou Suminoe Textiles Co., Ltd. is established in China.
Current subsidiary, Suzhou Suminoe Koide Automotive Accessories Co., Ltd. is jointly established in China.
Current subsidiary, PT.Sinar Suminoe Indonesia is jointly established in Indonesia.

2005

Subsidiary, SPM Automotive Textile Co., Ltd. is jointly established in China.

2010

Subsidiary, Suminoe Teijin Techno Krishna India Pvt. Ltd. is jointly established in India.
Suminoe Textile Shanghai Co., Ltd. is established in China.

2011

"ECOS®" Recycled Carpet Tiles New Release.

2012

"ECOS®" became the first product to obtain Eco Mark certification under the new certification criteria.

2013

Consolidate Suminoe Koka Co., Ltd. and Suminoe Nara Co., Ltd., Suminoe Techno Co., Ltd. is established.

Suminoe Textile de Mexico, S.A. de C.V. is established in Mexico.

PT. Suminoe Surya Techno is established in Indonesia.

Suminoe Nakacho Device Technology Corporation launched a business related to solar battery manufacturing.

We are aiming for the creation of a globally optimized supply system.

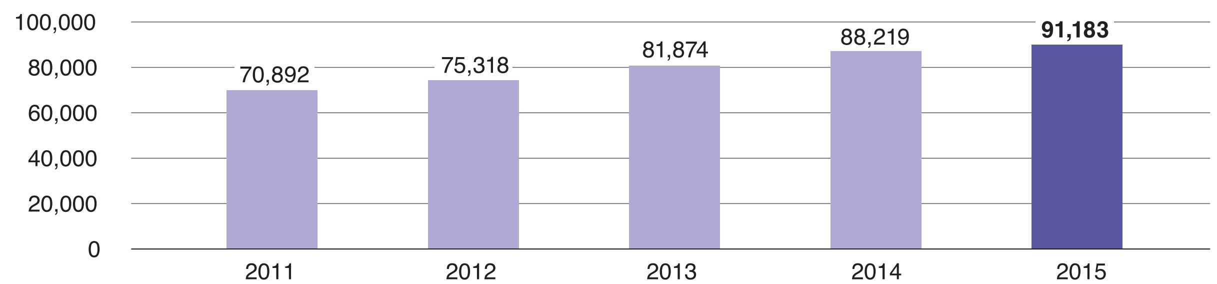
Contents

Financial Highlights

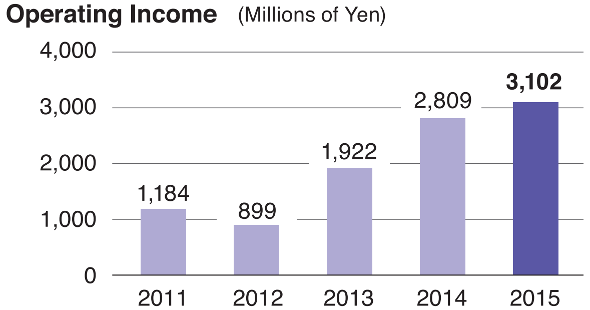
	Millions of Yen					Thousands of U.S.Dollars
	2015	2014	2013	2012	2011	2015
For the Year:						
Net Sales	¥91,183	¥88,219	¥81,874	¥75,318	¥70,892	$735,347
Operating Income	3,102	2,809	1,922	899	1,184	25,017
Net Income	1,816	1,969	1,046	223	662	14,646
At Year-End:						
Total Assets	¥90,126	¥85,841	¥79,902	¥76,286	¥72,878	$726,823
Total Equity	39,205	34,571	32,267	28,646	28,101	316,169
Per Share (Yen and U.S. dollars):						
Basic Net Income	¥24.07	¥26.09	¥13.85	¥2.95	¥8.77	$0.19
Shareholder's Equity	466.15	409.77	385.46	341.89	334.31	3.76
Cash dividends applicable to the year	6.00	6.00	5.00	5.00	5.00	0.05
Financial Ratios (%):						
Equity Ratio	39.0%	36.0%	36.4%	33.9%	34.7%	
ROE (Net Income Base)	5.5	6.6	3.8	0.9	2.6	
ROA (Ordinary Income Base)	4.2	4.1	2.9	1.5	2.2	

Notes:1. U.S. dollar amounts are converted from Japanese yen amounts at the rate of U.S.$1 to ¥124, the approximate rate on May 31, 2015.
Notes:2. Basic net income per share of common stock is computed based on the weighted average number of shares outstanding.

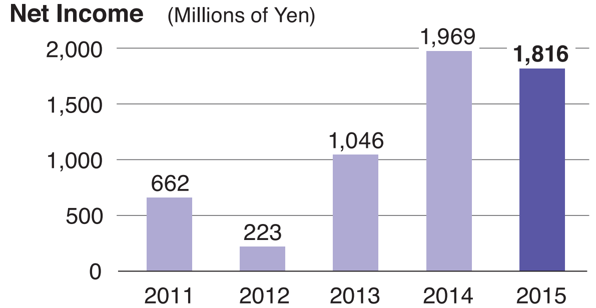
Net sales (Millions of Yen)



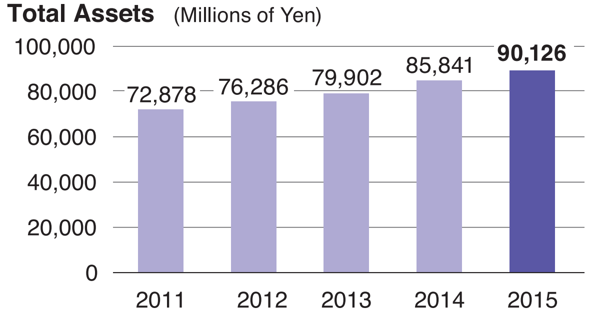
Operating Income (Millions of Yen)



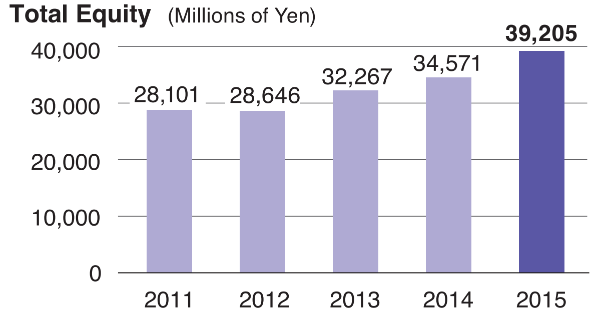
Net Income (Millions of Yen)



Total Assets (Millions of Yen)



Total Equity (Millions of Yen)



Business Results

President Ichizo Yoshikawa

吉川一三

Consolidated financial results

During the consolidated fiscal year ending May 31, 2015, the Japanese economy saw a recovery in corporate performance and employment due to the economic and financial policies adopted by the Government and the Bank of Japan, though the impact of the consumption tax increase lasted longer than expected, resulting in sluggish consumer spending. Overseas, the United States and Europe maintained their gradual economic recovery while growth slowed down in China and ASEAN nations.

Under these circumstances, our Group implemented various measures under the basic policies of the “Global Evolution 2015”, our medium-term 3-year management plan, and this year under review, the final year of the plan, our Group’s consolidated sales reached ¥91,183 million (U.S.$735,347 thousand, up 3.4% year-on-year), with operating income, ordinary income and net income of ¥3,102 million (U.S.$25,017 thousand, up 10.4%), ¥3,730 million (U.S.$30,081 thousand, up 9.6%), and ¥1,816 million (U.S.$14,646 thousand, down 7.8%), respectively.

Consolidated Financial Results & Targets

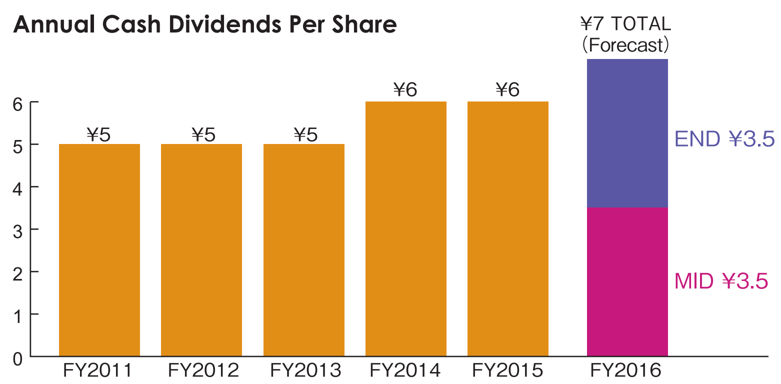
	2016 (Target)	2015 (Result)	2014 (Result)
Net Sales	¥98,000	¥ 91,183	¥ 88,219
		$735,347	$864,892
Operating Income	¥ 3,800	¥ 3,102	¥ 2,809
		$ 25,017	$ 27,539
Net Income	¥ 2,590	¥ 1,816	¥ 1,969
		$ 14,646	$ 19,304
Exchange Rate(Yen)	–	U.S.$1=¥124	U.S.$1=¥102

¥ : Millions of Yen　$: Thousands of U.S. Dollars

Dividend policy

The Company has positioned shareholder return as a key management issue and distributes profits appropriately by taking into account stable dividend payments and business results. Based on this basic dividend policy, the Company plans to pay an annual dividend of ¥6.0 (U.S. $0.05) per share (a year-end dividend of ¥3.0 (U.S. $0.02) per share and an interim dividend of ¥3.0 (U.S. $0.02) per share).

In addition, it plans to pay an annual dividend of ¥7.0 per share (an interim dividend of ¥3.5 and year-end dividend of ¥3.5) for the fiscal year ending May 2016.



Outlook for the next term

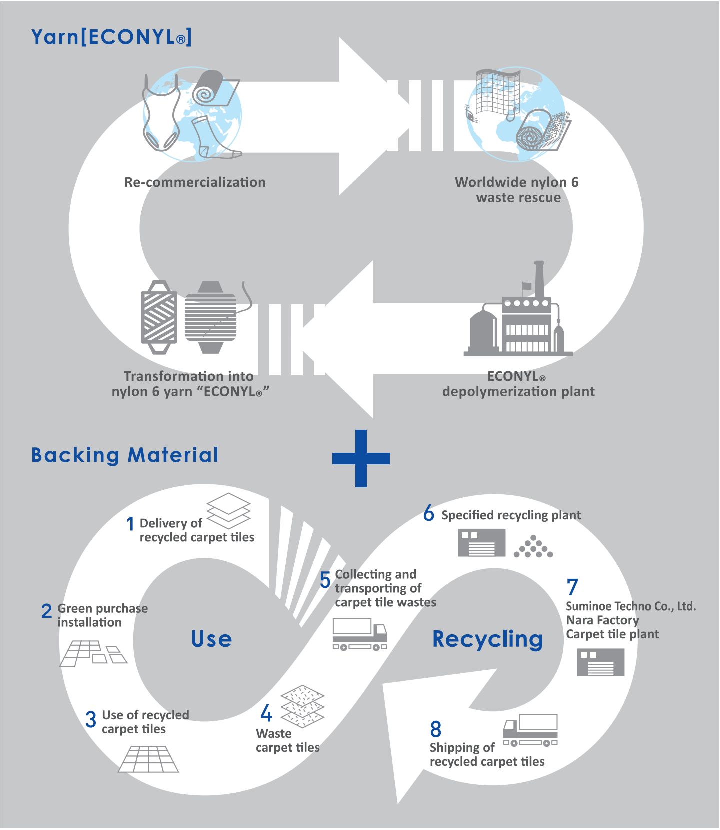
Although personal spending remains weak, the Japanese economy has been recovering gradually, supported by improved performance mainly among exporting companies and the healthy employment environment. Overseas, the economies in the United States and Europe are showing steady recovery while the outlook for China and emerging countries is increasingly uncertain due to the slowdown in their economic growth.

Under these economic conditions, following the former medium-term 3-year management plan, the Company will continue to strengthen its overseas businesses and proactively promote the launch of one-of-a-kind products, with the aim of achieving sales of ¥98,000 million, with operating income, ordinary income, and net income of ¥3,800 million, ¥4,280 million, and ¥2,590 million, respectively, this year, the first fiscal year of the new medium-term 3-year management plan.

Business alliance with the aim of developing the world's highest-level quality carpet tiles with even further improved environmental performance

In May 2015, the Company concluded a business partnership agreement with Aquafil S.p.A, the largest nylon manufacturer in Italy capable of producing 100% recycled nylon. Both the Company and Aquafil have adopted the "horizontal recycling" system, which allows recycling between the same products, thus resulting in recycling technologies that are particularly eco-friendly, efficient and sophisticated. This partnership will therefore create an enhanced synergy between our "ECOS®", eco-friendly carpet tiles under the "horizontal recycling" system, which has already achieved a world top-class material recycling rate, and Aquafil's 100% recycled nylon "ECONYL®".

In July, the Company has developed and launched its new world highest-level nylon carpet tiles with further improved environmental performance.



Horizontal recycling is:

the type of recycling in which materials are recycled into the same product repeatedly.

ECONYL® is:

a 100% recycled nylon fiber produced by chemically processing used fish nets, etc. collected for recycling.

Aquafil S.p.A

AQUAFIL synthetic fibres and polymers

Corporate Summary

Established:	1969
Main Office:	Italy
Major businesses:	Manufacture and sales of BCF fiber for floor carpets and NTF fiber for apparel

Automotive Textile business: Further acceleration of overseas business development

Talking about overseas business activities, mainly the Automotive Textiles business, the Company has been aggressively expanding its business in the U.S., China, Thailand, Indonesia, India, and Mexico. In February 2015, the Company converted PT.Sinar Suminoe Indonesia, a joint venture engaged in the automobile interior business in Indonesia, into its subsidiary, so as to further improve mobility in overseas operations. In March, the Company moved the plant of its Mexican subsidiary to a site over three times the size of the former one, and newly introduced needle punch production lines, enabling the launch of the needle-punched carpet business in addition to the existing mat business.

In June, Suminoe Textile of America Corp. (STA), a the U.S. subsidiary of the Company, acquired 100% of the shares of Bondtex, Inc., a company engaged in urethane-laminating automotive interior materials, making it a subsidiary of STA. Acquisition of Bondtex will enable STA to expand its business areas through vertical integration of operations, increase sales channels with the U.S.-based automobile manufacturers in addition to Japan-based manufacturers, and promote sales of new materials, such as artificial leather and PVC. Efforts will be continued to further expand shares in overseas markets.

Construction of a globally optimized supply system

Recent overseas activities

May 2013	Established Suminoe Textile de Mexico, S.A. de C.V. (STM)
October 2013	Established PT. Suminoe Surya Techno
February 2015	Made PT.Sinar Suminoe Indonesia a consolidated subsidiary
March 2015	Expanded STM plant
June 2015	Acquired Bondtex, Inc. and made it a consolidated subsidiary

Bondtex, Inc.

Corporate Summary

Established:	1986
Main Office:	South Carolina, the U.S.
Major businesses:	Urethane laminating of automotive seat fabrics and ceiling materials Manufacture and sales of medical materials

"Global Evolution 2015" Previous Medium-Term Management Plan

Under its previous three-year medium-term management plan, "Global Evolution 2015", which ended in May 2015, the Company endeavored to expand its overseas business and actively promote one-of-a-kind products. Consequently, in the fiscal year ended May 31, 2015, the final year of Global Evolution 2015, the Company saw net sales and operating income increase by ¥15,860 million and ¥2,200 million, respectively, compared to the fiscal year ended May 31, 2012.

Consolidated Performance Results

Targets and Results for the 3-year period

(Unit : Millions of Yen)

	FY2012 (2011/6 - 2012/5)	"Global Evolution 2015" FY2013 (2012/6 - 2013/5)		FY2014 (2013/6 - 2014/5)		FY2015 (2014/6 - 2015/5)	
	Result	Target	Results	Target	Results	Target	Results
Net Sales	75,318	81,000	**81,874**	83,000	**88,219**	85,000	**91,183**
Sales Growth Rate	106.2%	107.5%	**108.7%**	102.5%	**107.7%**	102.4%	**103.4%**
Operating Income	899	2,000	**1,922**	2,630	**2,809**	2,920	**3,102**
Operating Margin	1.2%	2.5%	**2.3%**	3.2%	**3.2%**	3.4%	**3.4%**
Ordinary Income	1,134	2,350	**2,291**	2,980	**3,402**	3,290	**3,730**
Net Income	223	1,500	**1,046**	2,000	**1,969**	2,200	**1,816**
ROE(Net Income Base)	0.9%	5.6%	**3.8%**	7.2%	**6.6%**	7.6%	**5.5%**
ROA(Ordinary Income Base)	1.5%	3.1%	**2.9%**	3.8%	**4.1%**	4.2%	**4.2%**

Targets and Results per Segment

(Unit : Millions of Yen)

Net Sales	Interior Fittings		Automotive Textiles and Traffic Facilities		Functional Materials		Others		Reconciliations		Consolidated	
FY2012 Results	33,747		37,552		3,911		108		-		75,318	
FY2013 (Target / Results)	34,600	**33,728**	42,200	**43,914**	4,100	**4,129**	100	**103**	-		81,000	**81,874**
FY2014 (Target / Results)	35,000	**35,709**	43,400	**47,655**	4,500	**4,723**	100	**132**	-		83,000	**88,219**
FY2015 (Target / Results)	35,600	**35,144**	44,500	**50,421**	4,800	**5,472**	100	**146**	-		85,000	**91,183**

(Unit : Millions of Yen)

Operating Income	Interior Fittings		Automotive Textiles and Traffic Facilities		Functional Materials		Others		Reconciliations		Consolidated	
FY2012 Results	297		1,670		76		35		(1,179)		899	
FY2013 (Target / Results)	410	**585**	2,700	**2,524**	100	**77**	40	**33**	(1,250)	**(1,297)**	2,000	**1,922**
FY2014 (Target / Results)	530	**781**	3,140	**3,275**	120	**6**	40	**69**	(1,200)	**(1,322)**	2,630	**2,809**
FY2015 (Target / Results)	640	**651**	3,260	**3,265**	180	**298**	40	**76**	(1,200)	**(1,188)**	2,920	**3,102**

"Advance Ahead 2018" New Medium-Term Management Plan

Basic Policies under "Advance Ahead 2018"

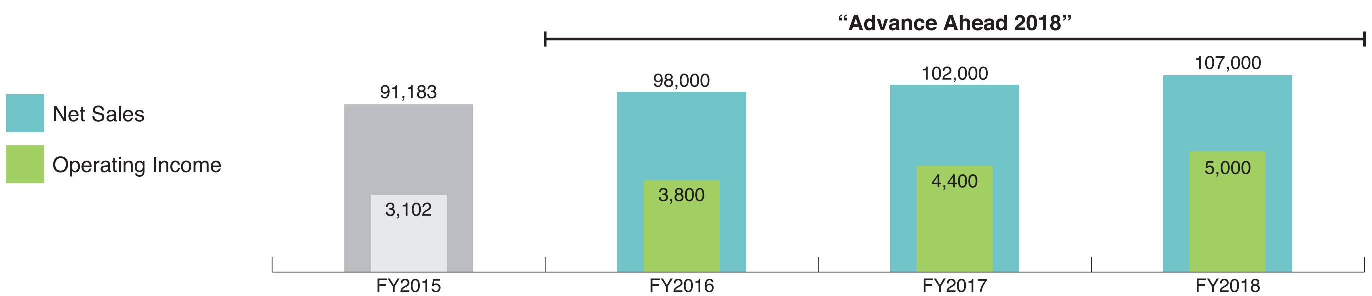
The Company aims to expand its market share and improve the ratio of operating income to net sales by further focusing on the expansion of its overseas business and active promotion of one-of-a-kind products.

Consolidated numerical targets

Entire company plan

Targets for the three-year period

With preparations for the Tokyo 2020 Olympic and Paralympic Games underway, demand for the renovation of hotel rooms and remodeling of railway vehicles is expected to grow in Japan. Meanwhile, demand for automotive textiles is forecast to grow overseas, primarily in the North and Central American and Asian regions. The Company will actively develop its business in each segment to achieve the following targets during the three-year period: net sales of ¥100,000 million, operating income of ¥5,000 million, and ROE at 8% or higher.



(Unit: Millions of Yen)	FY2015 (2014/6 - 2015/5)	Medium-Term Management Plan "Advance Ahead 2018" FY2016 (2015/6 - 2016/5)	FY2017 (2016/6 - 2017/5)	FY2018 (2017/6 - 2018/5)
Net Sales	91,183	98,000	102,000	107,000
Year-on-year comparison	103.4%	107.5%	104.1%	104.9%
Operating Income	3,102	3,800	4,400	5,000
Ratio of operating income to net sales	3.4%	3.9%	4.3%	4.7%
Ordinary Income	3,730	4,280	5,120	5,720
Net Income	1,816	2,590	2,750	3,330
ROE	5.5%	7.2%	7.5%	8.4%

Note : The figures in the results for the fiscal year 2015 are based on Japanese GAAP.

Medium- and long-term targets

The plan also announces the following medium- to long-term targets:

- Ratio of operating income to net sales at 5% or higher
- ROE at 8.5% or higher

Targets of each business segment

The Company has set the following targets for its main businesses.

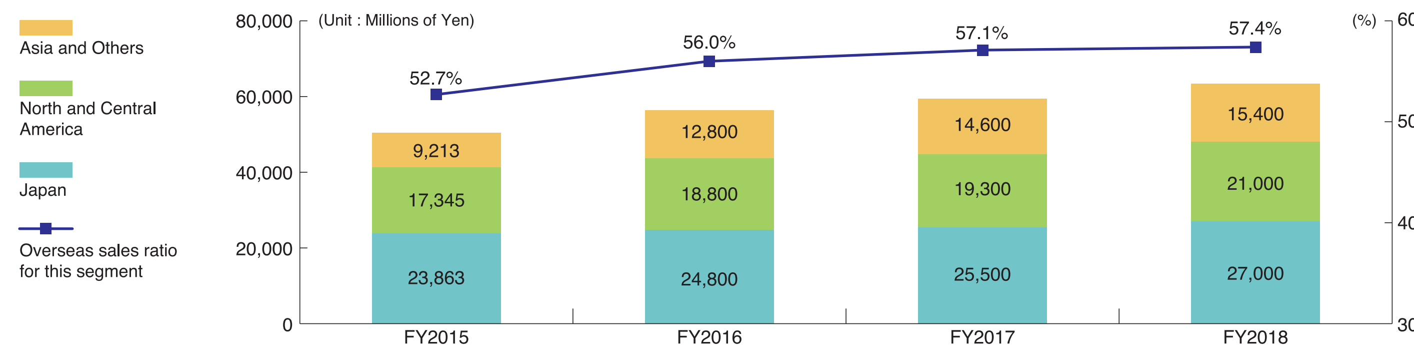
Automotive Textiles and Trafic Facilities Segment

In the area of automotive textiles	The Company will strengthen its business foundation as a global supplier to cope with a drastically changing market environment. • The Company will expand the intake of orders for new components and materials to promote the diversification of its business. • The Company will expand product lineups in each overseas market to build up its supply system.
In the area of traffic facilities	The Company will further expand its market share by developing new products and expanding product lineups to capture demand that has been strengthening due to an increase in sightseeing demand.

Targets for the 3-year Period

(Unit: Millions of Yen)	FY2015 (2014/6 - 2015/5)	"Advance Ahead 2018" FY2016 (2015/6 - 2016/5)	FY2017 (2016/6 - 2017/5)	FY2018 (2017/6 - 2018/5)
Net Sales	50,421	56,400	59,400	63,400
Operating Income	3,265	4,020	4,700	5,150

Note : The figures in the results for the fiscal year 2015 are based on Japanese GAAP.



Interior Fittings Segment

The Company will actively promote sales of products with high environmental performance and added value to increase its competitiveness and profitability.

In the area of commercial-use carpets for office buildings, commercial facilities, and hotels	• The Company will expand earnings by aggressively seeking out and satisfying demand for the renovation of hotel rooms, which has arisen in preparation for the Tokyo 2020 Olympic and Paralympic Games. • In Japan and overseas, the Company will further expand sales of ECOS®, eco-friendly carpet tiles under the horizontal recycling system, which has already achieved one of the world's highest material recycling rates.
In the area of carpets and rugs for general households	• The Company will try to stimulate demand and sales by raising the added value of its products using its original processing technique in addition to existing safety characteristics of carpets (such as preventing house dust from being stirred into the air).
In the area of curtains	• The Company will clearly define the concept of its brand to differentiate itself from its competitors. Furthermore, it will step up its efforts to expand sales in the renovation market, which is expected to expand.
In the area of wallpaper	• The Company will strengthen sales activities, mainly for products with high functionality and added value, to increase profitability.

Targets for the 3-year Period

(Unit: Millions of Yen)	FY2015 (2014/6 - 2015/5)	"Advance Ahead 2018" FY2016 (2015/6 - 2016/5)	FY2017 (2016/6 - 2017/5)	FY2018 (2017/6 - 2018/5)
Net Sales	35,144	35,800	36,600	37,400
Operating Income	651	690	730	780

Note : The figures in the results for the fiscal year 2015 are based on Japanese GAAP.

Functional Materials Segment

The Company will strengthen its existing businesses, while energetically exploring new business areas.

In the area of electric carpets	• The Company will try to cultivate overseas markets and also stimulate demand for electric carpets as personal heating equipment, citing advantages such as energy efficiency and value for money.
In the area of deodorizing filters	• The Company will improve the competitiveness of its deodorizing filters for clothing, shoes, medical and nursing services, and miscellaneous goods.
In the area of other functional materials	• The Company will strengthen its marketing capabilities to expand its business in the area of floor materials for aircraft, products with functionality such as civil engineering and construction materials, materials for solar batteries, and floor materials for bathrooms.

Targets for the 3-year Period

(Unit: Millions of Yen)	FY2015 (2014/6 - 2015/5)	"Advance Ahead 2018" FY2016 (2015/6 - 2016/5)	FY2017 (2016/6 - 2017/5)	FY2018 (2017/6 - 2018/5)
Net Sales	5,472	5,650	5,840	6,030
Operating Income	298	290	300	320

Note : The figures in the results for the fiscal year 2015 are based on Japanese GAAP.

Group-wide approach

Contribution through products	The Suminoe Textile Group is constantly developing products according to the themes of its fundamental environmental philosophy, KKR + A, or Kenko (Health), Kankyo (Environment), Recycle + Amenity. The Group will continue to contribute to the prosperity of society and conservation of the environment through its people- and environmentally-friendly products.
Diversification of human resources and relationship with regional communities	The Suminoe Textile Group will promote the diversification of human resources that are indispensable for developing business overseas. At the same time, the Group will take good care of the relationships with regional communities that it has built up in each market.
Empowerment of female and senior employees	The Suminoe Textile Group will actively promote empowerment of female and senior employees to raise productivity.
Promotion of work-life balance	The Suminoe Textile Group will create a comfortable workplace where each employee can work efficiently and enjoy a fulfilling life through the following measures: implementation of "no overtime" days, encouraging employees to take paid vacation, and transformation of the mind-set of employees.
Growth of employees	The Suminoe Textile Group will promote the growth of all employees by offering many opportunities to improve their skills, such as through employee training programs.
Preservation of traditional culture	The Suminoe Textile Group will foster young craftsmen to pass down the hand-weaving techniques that it has developed over more than 130 years since its foundation and continue to preserve its traditional culture in the future.

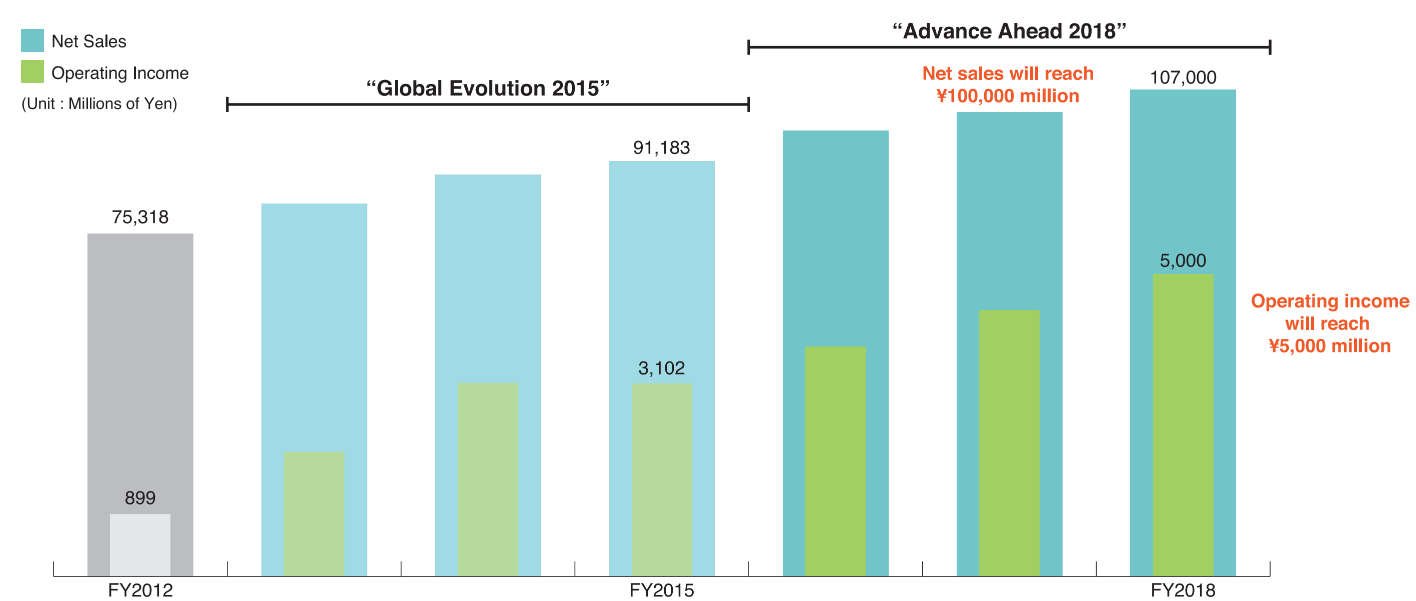
Investment Plan

During the three-year period of its new management plan, the Company will also engage in active capital investment to expand its business. It plans to invest ¥6,000 million in total, mainly in manufacturing equipment, according to its basic policy: an efficient investment approach placing importance on return on investment.

Return to Shareholders

In accordance with its basic policy of paying out stable dividends to its shareholders, the Company will appropriately distribute its profits, considering the trends of its business performance and the capital expenditure required for expansion.

Changes in business performance (results and targets)



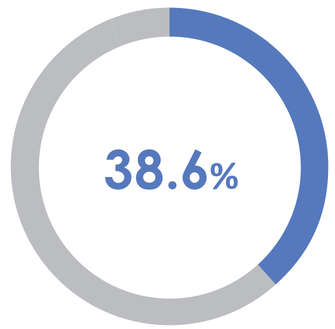
The plan presented in this document was prepared on the basis of currently foreseeable and reasonable prospects. Actual results may differ from the plan, due to various factors.

Suminoe at a Glance

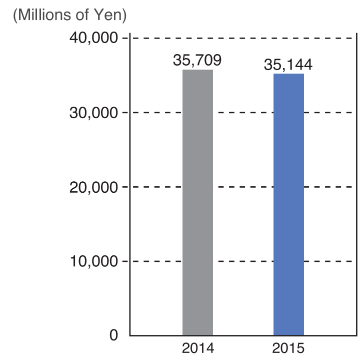
Interior Fittings

▶P 15

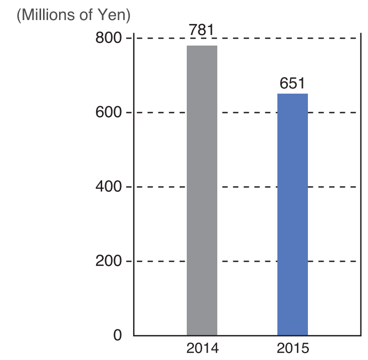
Contribution to Total Net Sales

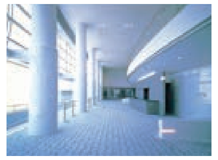


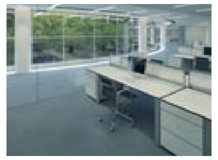
Net Sales

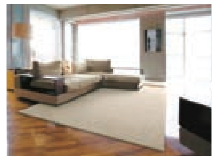


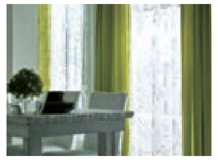
Operating Income




Roll Carpets

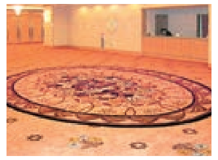

Carpet Tiles

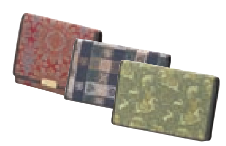

Rugs and Mats


Curtains


Wallpaper


Plush Hand-woven Curtains

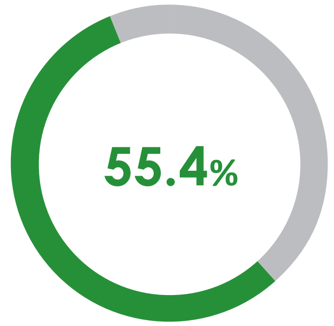

Hand-woven Carpet and Hooked Rugs


Nishijin Brocade Fabric

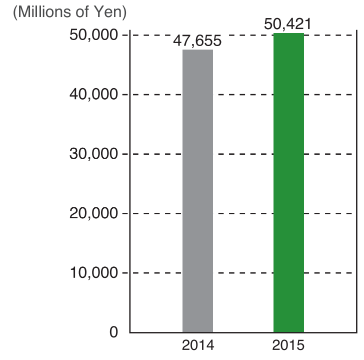
Automotive Textiles and Traffic Facilities

▶P 17

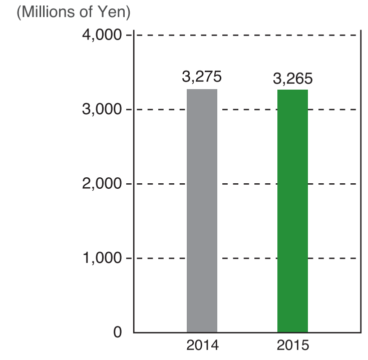
Contribution to Total Net Sales



Net Sales



Operating Income



Automotive Textiles


Seat Coverings and Ceiling Materials


Floor Carpets


Car Mats

Traffic Facilities


Train


Bus

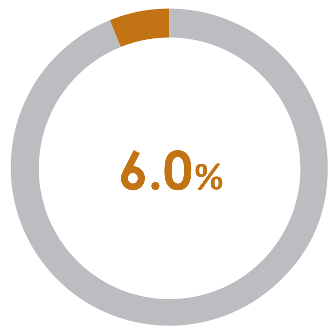

Ship


Aircraft

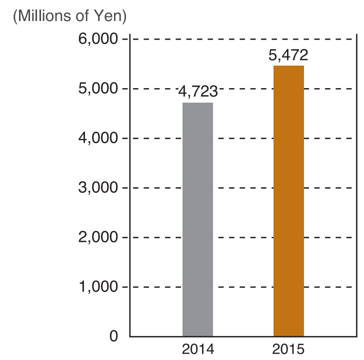
Functional Materials

▶P 19

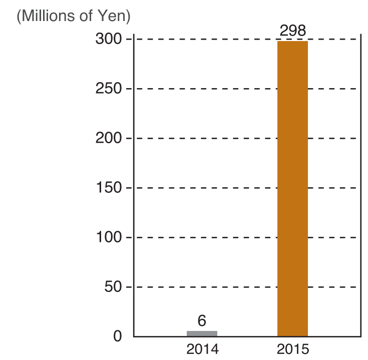
Contribution to Total Net Sales



Net Sales



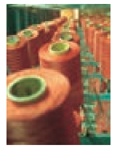
Operating Income




Electric Carpets

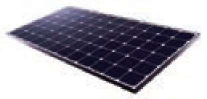

Tispa® Deodorization Related Brand


Air-filter Products

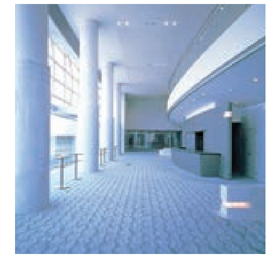

SUMITRON® Continuous Fiber Made from Recycled PET bottles

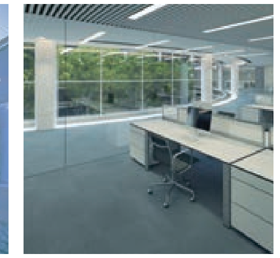

OH TILE Olefin Flooring Material


Nassenger Special Pigment Ink-jet Print


Silicon Wafer

SUMINOE Co., Ltd.


Roll Carpets


Carpet Tiles

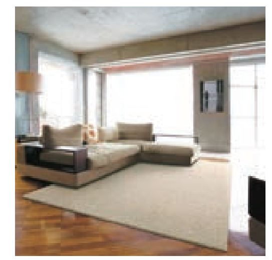
RUNON CO., LTD.


Wallpaper

Suminoe Textile Co., Ltd.

Kyoto Traditional Art and Craft Factory


Nishijin Brocade Fabric


Rugs and Mats


Curtains

Tango Textile Co., Ltd.


Plush Hand-woven Curtains


Hand-woven Carpet and Hooked Rugs

Comprehensive manufacturer of lifestyle Inspired

Since our founder, Denshichi Murata, began manufacturing carpets in 1883, Suminoe Textile has supplied carpet for the establishment of Japan's Imperial Diet Building in 1891 and contributed to lifestyle modernization as a pioneer of Japanese interior decor. At present, our subsidiary, SUMINOE Co., Ltd., sells Suminoe brand name products consisting mainly of curtains and carpets, while another subsidiary, RUNON CO., LTD., sells wallpaper, etc. Our diverse selection of interior products has been used in a wide variety of distinguished buildings such as the Diet Building, State Guest Houses, Japanese Prime Minister's Official Residence, hotels, and office buildings as well as general residences.

In particular, we were the first successful domestic manufacturer of carpet tiles. In 2011, with a view to a recycling-oriented society upcoming, Suminoe Textile developed the recycle carpet tiles "ECOS®". ECOS® uses recycled fiber for pile yarn on the surface and the powder recycled from used tile carpets for backing materials, achieving a recycled material ratio as high as 83%, which is unparalleled in the world.

Based on our secure technology and abundance of experience, Suminoe Textile will continue to supply environmentally friendly and unique products matching diversified lifestyles and possessing excellent design as well as functionality.

Business overview for the fiscal year ended May 31, 2015

Sales of commercial-use carpets for office buildings, commercial facilities, and hotels slightly exceeded those of the previous year thanks to a rise in new orders and steady performance of "ECOS®", eco-friendly carpet tiles under the "horizontal recycling" system, in both sales in Japan and exports. Sales of carpets and rugs for general households decreased from the previous year due to the negative impact from the consumption tax rate hike and the decline in the number of new housing starts. In the curtain segment, sales of "mode S® Vol. 7", released in July 2014, and "U Life® Vol. 7", were affected by sluggish consumer spending despite steady growth of "Face", a product line for medical, welfare and education facilities. Sales of wall coverings exceeded those of the previous year due to a rise in sales of "Runon Home", though sales of the mass-produced "Runon Mark Ⅱ" were rather sluggish.

As a result of the above, the Interior Fittings Segment posted operating income of ¥651 million (U.S.$5,250 thousand, down 16.7% year-on-year) on net sales of ¥35,144 million (U.S. $283,419 thousand, down 1.6%).

Automotive Textiles and Traffic Facilities

Total Supplier of Automotive Textiles

In 1931, Suminoe Textile supplied carpets and seat covering materials to automobiles assembled and manufactured in Japan for Ford Motor Company and General Motors from the United States. Later, our products were regularly adopted in domestically manufactured automobiles whose production expanded along with national policy. At present, we supply products to all Japanese automobile manufacturers, and we have maintained the top market share in the domestic interior fitting market. Our greatest feature is that we are one of the few examples of a company in the world able to supply a total line of automotive interior fittings from floors to ceilings including carpets, seat covering materials, headliner, and trunk materials. We have established manufacturing and sales sites in the United States as well as China, Thailand, Indonesia, India and Mexico, and we are aiming for the creation of a globally optimized supply system.

A Leading Manufacturer of Interior Materials for railway vehicles

The cornerstone of our automotive textiles today is the manufacturing of seat covering materials for railway vehicles. In 1896, when construction of the railway network was rapidly progressing, we were the first to manufacture seat covering materials for railway vehicles in Japan. Since then, we have supplied seat covering materials to Japan National Railways and private railways and we are extremely proud of our top market share for more than one century. Today, Suminoe Textile supplies seat covering materials and the highly recyclable seat cushion material SUMICUBE®, etc., in public transportation vehicles such as Shinkansen bullet trains, trains, buses, ships, and aircraft.

Central Japan Railway Company, West Japan Railway Company : Sinkansen N700 series

SUMICUBE®
Seat Cushion Material

Business overview for the fiscal year ended May 31, 2015

In the area of automotive textiles, although sales in Japan were stagnant due to a delay in overall market recovery, overseas sales increased substantially. This increase is attributed to the efforts to expand the range of product lineups as a global total supplier having 10 strongholds in six countries overseas (the U.S., China, Thailand, Indonesia, India, and Mexico). Supported particularly by steady business in the North American market, sales of automotive textiles as a whole exceeded those of the previous year.

During the second half of the year, the Company expanded its plant in Mexico, where the automotive market is showing remarkable growth, while converting its equity method company in Indonesia, an important operation base in the Southeast Asia area, into a subsidiary, thereby enhancing its capabilities to respond to global market trends.

In the area of traffic facilities, railway vehicle-related sales stagnated because railway companies heavily allocated their budgets to safety measures by substantially reducing spending for periodic replacement of seat covers, although new vehicle production and new orders for interior goods related to the remodeling of railway vehicles helped increase sales. Orders for new buses continued to grow steadily, supported by an increase in the number of foreign visitors to Japan due to the yen's depreciation, along with a rise in orders for high value-added goods for optional accessories. Consequently, in traffic facilities as a whole, both sales and operating income grew from the previous year.

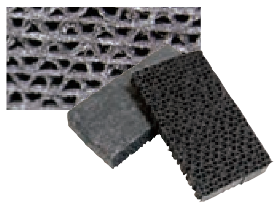
As a result of the above, the Automotive Textiles and Traffic Facilities Segment posted operating income of ¥3,265 million (U.S.$26,331 thousand, down 0.3% year-on-year) on net sales of ¥50,421 million (U.S.$406,621 thousand, up 5.8%).

Functional Materials

Tispa® Deodorization Related Brand

The Tispa® series, "Real odor deodorization without disguising with a scent", is a stationary deodorizer for home use that uses a TRIPLE FRESH® Bio filter adopted in refrigerators and air purifiers. Tispa® features an extremely small amount of re-radiated odor due to a biomimetic enzyme that works as a catalyst for continually absorbing and decomposing odors.

Air-filter Products



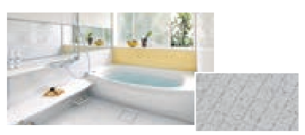
"TRIPLE FRESH® Bio" is a new concept of deodorizing filter where a biomimetic enzyme is invested in to a corrugate carrier. It continuously deodorizes unpleasant odor gas. Biomimetic enzyme works as a catalyst, and decomposes and deodorizes unpleasant odor components by oxidation-reduction reaction. Therefore its validity is semi-permanent.

SUMITRON® Continuous Fiber Made from Recycled PET Bottles

SUMITRON®, continuous fiber made from recycled PET bottles and manufactured in our Shiga Factory, (Suminoe Techno Co., Ltd.) holds the No.1 position in production volume for recycled polyester BCF in the domestic market. SUMITRON® is being adopted for our interior products and automotive textiles as well as dust control mats and brushes for house cleaning, etc.

Electric Carpets

Floor Materials for Bathrooms



Silicon Wafer for Solar Batteries

Business overview for the fiscal year ended May 31, 2015

In the electric carpet business, although production decreased because of manufacturers' reluctance to expand product lines due to negative impacts from the consumption tax hike amid the continued depreciation of the yen, both sales and income increased from the previous year because the selling prices were settled at reasonable levels.

Production of deodorizing filters decreased overseas and increased in Japan, resulting in a decrease in overall sales and an increase in profits. Production and sales of a floor material for bathrooms, which was introduced as a new functional material, started. Production and sales grew steadily in the solar battery-related business.

As a result of the above, the Functional Materials Segment posted operating income of ¥298 million (U.S.$2,403 thousand, ¥6 million in the previous year) on net sales of ¥5,472 million (U.S.$44,129 thousand, up 15.8% year on year).

Financial Section 2015

Year ended May 31, 2015

Contents

Consolidated Balance Sheet

Suminoe Textile Co., Ltd. and its Subsidiaries
May 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2015	2014	2015
CURRENT ASSETS:			
Cash and cash equivalents (Note 11)	¥ 9,543	¥ 9,564	$ 76,960
Marketable securities (Notes 3 and 11)	275	275	2,218
Short-term investments (Note 11)	120	120	968
Receivables:			
Trade notes (Note 11)	9,068	8,821	73,129
Trade accounts (Note 11)	14,550	13,210	117,338
Other	1,186	1,198	9,565
Allowance for doubtful receivables	(17)	(20)	(137)
Inventories (Note 4)	14,189	14,056	114,427
Deferred tax assets (Note 9)	431	523	3,476
Other	1,857	1,468	14,976
Total current assets	51,202	49,215	412,920
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land	17,254	17,264	139,145
Buildings and structures (Note 5)	16,522	17,148	133,242
Machinery and equipment	20,071	19,026	161,863
Furniture and fixtures	2,544	2,502	20,516
Lease assets	2,510	2,139	20,242
Construction in progress	861	31	6,944
Total	59,762	58,110	481,952
Accumulated depreciation	(32,718)	(31,323)	(263,855)
Net property, plant and equipment	27,044	26,787	218,097
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 6 and 11)	9,282	7,228	74,855
Investments in associated companies	336	203	2,710
Deferred tax assets (Note 9)	684	927	5,516
Other	1,726	1,632	13,919
Allowance for doubtful accounts	(148)	(151)	(1,194)
Total investments and other assets	11,880	9,839	95,806
TOTAL	¥90,126	¥85,841	$726,823

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	2015	2014	2015
CURRENT LIABILITIES:			
Short-term bank loans (Notes 6 and 11)	¥ 9,541	¥ 9,878	$ 76,944
Current portion of long-term debt (Notes 6 and 11)	2,987	1,847	24,089
Payables:			
Trade notes (Note 11)	4,964	5,037	40,032
Trade accounts (Note 11)	14,780	14,742	119,194
Construction and other	697	575	5,621
Income taxes payable	672	589	5,419
Accrued expenses	2,307	2,378	18,606
Other (Note 9)	842	970	6,789
Total current liabilities	36,790	36,016	296,694
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 11)	4,536	5,591	36,581
Liability for retirement benefits (Note 7)	4,143	4,302	33,411
Deferred tax liabilities (Note 9)	1,008	524	8,129
Deferred tax liabilities related to land revaluation excess	3,970	4,376	32,016
Negative goodwill		44	
Other	474	417	3,823
Total long-term liabilities	14,131	15,254	113,960
COMMITMENTS (Note 12)			
EQUITY (Notes 6, 8 and 14):			
Common stock - authorized, 300,000,000 shares; issued, 76,821,626 shares in 2015 and 2014	9,554	9,554	77,048
Capital surplus	2,652	2,652	21,387
Retained earnings	11,014	9,703	88,823
Treasury stock - at cost; 1,374,982 shares and 1,367,939 shares in 2015 and 2014, respectively	(359)	(357)	(2,895)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	3,771	2,178	30,411
Deferred loss on derivatives under hedge accounting	(3)	(14)	(24)
Land revaluation excess	7,588	7,168	61,194
Foreign currency translation adjustments	1,157	283	9,331
Defined retirement benefit plan	(205)	(248)	(1,653)
Total	35,169	30,919	283,622
Minority interests	4,036	3,652	32,547
Total equity	39,205	34,571	316,169
TOTAL	¥90,126	¥85,841	$726,823

Consolidated Statement of Income

Suminoe Textile Co., Ltd. and its Subsidiaries
Year Ended May 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET SALES	¥91,183	¥88,219	$735,347
COST OF SALES	72,481	69,779	584,524
Gross profit	18,702	18,440	150,823
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	15,600	15,631	125,806
Operating income	3,102	2,809	25,017
OTHER INCOME (EXPENSES):			
Interest and dividend income	164	140	1,323
Rental income	235	240	1,895
Amortization of negative goodwill	44	89	355
Equity in earnings of associated companies	216	310	1,742
Interest expense	(230)	(242)	(1,855)
Rental expense	(40)	(44)	(323)
Gain (loss) on sales and disposals of property, plant and equipment	20	(93)	161
Impairment losses for long-lived assets (Note 5)	(269)		(2,169)
Other - net	218	100	1,758
Other income - net	358	500	2,887
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	3,460	3,309	27,904
INCOME TAXES (Note 9):			
Current	1,093	913	8,814
Deferred	257	32	2,073
Total income taxes	1,350	945	10,887
NET INCOME BEFORE MINORITY INTERESTS	2,110	2,364	17,017
MINORITY INTERESTS IN NET INCOME	294	395	2,371
NET INCOME	¥ 1,816	¥ 1,969	$ 14,646

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.q):			
Basic net income	¥24.07	¥26.09	$0.19
Cash dividends applicable to the year	6.00	6.00	0.05

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Suminoe Textile Co., Ltd. and its Subsidiaries
Year Ended May 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET INCOME BEFORE MINORITY INTERESTS	¥2,110	¥2,364	$17,017
OTHER COMPREHENSIVE INCOME (Note 13):			
Unrealized gain on available-for-sale securities	1,593	205	12,846
Deferred gain (loss) on derivatives under hedge accounting	22	(48)	177
Land revaluation excess	406		3,274
Foreign currency translation adjustments	1,042	347	8,403
Remeasurements of defined benefit plans	42		339
Share of other comprehensive gain (loss) in associates	2	(1)	16
Total other comprehensive income	3,107	503	25,055
COMPREHENSIVE INCOME	¥5,217	¥2,867	$42,072
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥4,743	¥2,459	$38,249
Minority interests	474	408	3,823

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Suminoe Textile Co., Ltd. and its Subsidiaries
Year Ended May 31, 2015

	Number of Shares of Common Stock Outstanding	Millions of Yen			
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
BALANCE, JUNE 1, 2013	75,460,476	¥9,554	¥2,652	¥ 7,746	¥(355)
Net income				1,969	
Cash dividends, ¥5.00 per share				(377)	
Purchase of treasury stock	(6,789)				(2)
Reversal of land revaluation excess				365	
Net change in the year					
BALANCE, MAY 31, 2014	75,453,687	9,554	2,652	9,703	(357)
Net income				1,816	
Cash dividends, ¥6.50 per share				(490)	
Purchase of treasury stock	(7,043)				(2)
Reversal of land revaluation excess				(15)	
Net change in the year					
BALANCE, MAY 31, 2015	75,446,644	¥9,554	¥2,652	¥11,014	¥(359)

	Millions of Yen							
	Accumulated Other Comprehensive Income					Total	Minority Interests	Total Equity
	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Excess	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plan			
BALANCE, JUNE 1, 2013	¥1,973	¥ 34	¥7,533	¥ (50)		¥29,087	¥3,180	¥32,267
Net income						1,969		1,969
Cash dividends, ¥5.00 per share						(377)		(377)
Purchase of treasury stock						(2)		(2)
Reversal of land revaluation excess			(365)					
Net change in the year	205	(48)		333	¥(248)	242	472	714
BALANCE, MAY 31, 2014	2,178	(14)	7,168	283	(248)	30,919	3,652	34,571
Net income						1,816		1,816
Cash dividends, ¥6.50 per share						(490)		(490)
Purchase of treasury stock						(2)		(2)
Reversal of land revaluation excess			15					
Net change in the year	1,593	11	405	874	43	2,926	384	3,310
BALANCE, MAY 31, 2015	¥3,771	¥ (3)	¥7,588	¥1,157	¥(205)	¥35,169	¥4,036	¥39,205

	Thousands of U.S. Dollars (Note 1)			
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
BALANCE, MAY 31, 2014	$77,048	$21,387	$78,250	$(2,879)
Net income			14,646	
Cash dividends, $0.05 per share			(3,952)	
Purchase of treasury stock				(16)
Reversal of land revaluation excess			(121)	
Net change in the year				
BALANCE, MAY 31, 2015	$77,048	$21,387	$88,823	$(2,895)

	Thousands of U.S. Dollars (Note 1)							
	Accumulated Other Comprehensive Income					Total	Minority Interests	Total Equity
	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Excess	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plan			
BALANCE, MAY 31, 2014	$17,565	$(113)	$57,806	$2,283	$(2,000)	$249,347	$29,452	$278,799
Net income						14,646		14,646
Cash dividends, $0.05 per share						(3,952)		(3,952)
Purchase of treasury stock						(16)		(16)
Reversal of land revaluation excess			121					
Net change in the year	12,846	89	3,267	7,048	347	23,597	3,095	26,692
BALANCE, MAY 31, 2015	$30,411	$ (24)	$61,194	$9,331	$(1,653)	$283,622	$32,547	$316,169

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Suminoe Textile Co., Ltd. and its Subsidiaries
Year Ended May 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 3,460	¥ 3,309	$ 27,904
Adjustments for:			
Income taxes - paid	(1,097)	(549)	(8,847)
Income taxes - refunds	5	17	40
Depreciation and amortization	1,863	1,641	15,024
Impairment losses for long-lived assets	269		2,169
Amortization of negative goodwill	(44)	(89)	(355)
Provision for doubtful receivables and accounts	(6)	(21)	(48)
(Gain) loss on sales and disposals of property, plant and equipment	(20)	93	(161)
Equity in earnings of associated companies	(216)	(310)	(1,742)
Changes in assets and liabilities:			
Increase in notes and accounts receivable - trade	(688)	(1,496)	(5,549)
Decrease (increase) in inventories	566	(1,815)	4,564
(Decrease) increase in notes and accounts payable - trade	(588)	3,117	(4,742)
Decrease in liability for retirement benefits	(84)	(206)	(677)
Decrease (Increase) in other current assets	(289)	1	(2,331)
(Decrease) increase in other current liabilities	(290)	584	(2,339)
Other - net	861	203	6,945
Total adjustments	242	1,170	1,951
Net cash provided by operating activities	3,702	4,479	29,855
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	112	552	903
Purchases of property, plant and equipment	(1,423)	(1,502)	(11,476)
Proceeds from sales and redemption of securities	11,103	18,712	89,540
Purchases of marketable and investment securities	(11,119)	(18,724)	(89,669)
Other - net	96	(260)	775
Net cash used in investing activities	(1,231)	(1,222)	(9,927)
FINANCING ACTIVITIES:			
Net change in short-term bank loans	(1,047)	464	(8,444)
Proceeds from long-term debt	1,181	700	9,524
Repayments of long-term debt	(2,096)	(2,121)	(16,903)
Proceeds from sale and leaseback transactions		321	
Purchase of treasury stock	(2)	(2)	(16)
Dividends paid	(490)	(377)	(3,952)
Other - net	(303)	119	(2,443)
Net cash used in financing activities	(2,757)	(896)	(22,234)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	193	19	1,556
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(93)	2,380	(750)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,564	7,184	77,129
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	72		581
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 9,543	¥ 9,564	$ 76,960

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Suminoe Textile Co., Ltd. and its Subsidiaries
Year Ended May 31, 2015

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.
In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.
The consolidated financial statements are stated in Japanese yen, the currency of the country in which Suminoe Textile Co., Ltd. (the "Company"), is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥124 to $1, the approximate rate of exchange at May 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a.Consolidation
The accompanying consolidated financial statements as of May 31, 2015, include the accounts of the Company and all subsidiaries (collectively, the "Group").
Under the control and influence concepts, those companies which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.
Investments in two associated companies (three associated companies in 2014) are accounted for using the equity method.
Investment in the remaining one associated company (one associated company in 2014) is stated at cost. If the equity method of accounting had been applied to the investment in this company, the effect on the accompanying consolidated financial statements would not be material.
The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period not exceeding 20 years.
The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.
All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b.Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements
In May 2006, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles (GAAP) in the United States of America tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process, so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development (R&D); (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

c.Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method
In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the GAAP in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

d.Cash Equivalents
Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits that represent short-term investments, all of which mature within three months of the date of acquisition.

e.Inventories
Inventories are stated at the lower of cost, determined by the average method for finished products, purchased merchandise, and work in process and by the moving-average method for raw materials and supplies or net selling value.

f.Marketable and Investment Securities
Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, for which management has the positive intent and ability to hold to maturity, are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.
Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g.Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost. Depreciation is computed over the estimated useful lives of the assets by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998, at rates based on the useful lives of the assets. Depreciation of lease assets that are deemed not to transfer ownership is computed using the straight-line method over the respective lease period. The range of estimated useful lives is principally from 3 to 50 years for buildings and structures and from 4 to 17 years for machinery and equipment. The useful lives for lease assets are the terms of the respective leases.
Under the "Law of Land Revaluation," promulgated and revised on March 31, 1998 and 1999, respectively, the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of May 31, 2000. The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income from this revaluation. Continuous readjustment is not permitted, unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities.
As of May 31, 2015, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥5,274 million ($42,532 thousand).

h.Long-Lived Assets
The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable.
An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i.Retirement Benefits
The Company and certain subsidiaries have both lump-sum severance payments and defined contribution pension plans for employees' retirement benefits and account for the liability for retirement benefits based on the projected benefit obligations at the consolidated balance sheet date.
Effective April 1, 2000, the Company adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period.
In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments (see Note 13).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013 and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014 or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.
The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective May 31, 2014, and for (c) above, effective June 1, 2014.
With respect to (c) above, the Company changed the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment. This change has no impact on any profits.
The Company provides for the liability for directors and Audit and Supervisory Board Members' retirement benefits at the amounts that would be required to be paid if all directors and Audit and Supervisory Board Members retired at the consolidated balance sheet date. Amounts payable to directors and Audit and Supervisory Board members upon retirement are left to the approval of the Board of Directors.

j.R&D Costs
R&D costs are charged to income as incurred.

k.Leases
In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.
Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions with certain "as if capitalized" information disclosed in the notes to the lessee's financial statements.
The Company applied the revised accounting standard effective June 1, 2008. In addition, the Company accounted for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

l.Construction Contracts
In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting standard for Construction Contracts," and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts. Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the consolidated balance sheet date can be reliably measured, the outcome of the construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

m.Income Taxes
The provision for current income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

n.Foreign Currency Transactions
All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

o.Foreign Currency Financial Statements
The balance sheet accounts of foreign subsidiaries and associated companies are translated into Japanese yen at the current exchange rates as of the balance sheet dates, except for equity, which is translated at the historical rates. Revenue and expense accounts of the foreign subsidiaries and associated companies are translated into Japanese yen at the current exchange rates as of the balance sheet dates.
Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

p.Derivatives and Hedging Activities
The Group uses foreign exchange forward contracts and interest rate swaps to manage its exposures to fluctuations in foreign exchange and interest rates. The Group does not enter into derivatives for trading or speculative purposes.
Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and the resulting gains or losses are recognized in the consolidated statement of income, and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.
Foreign currency forward exchange contracts are utilized to hedge foreign currency exposures on overseas transactions. Trade payables and receivables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.
Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

q.Per Share Information
Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the year, retroactively adjusted for stock splits.
The computations of net income per share of common stock are based on the weighted-average number of shares outstanding of 75,450,744 shares and 75,457,419 shares for the years ended May 31, 2015 and 2014, respectively.
Diluted net income per share is not disclosed because the Group has not issued dilutive securities.
Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

r.New Accounting Pronouncements
Accounting Standards for Business Combinations and Consolidated Financial Statements
In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) Transactions with noncontrolling interest
A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet
In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income
In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) Provisional accounting treatments for a business combination
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs
Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.
Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and

guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance for (a), (b), (c) and (e) above from June 1, 2015, and for (d) above for a business combination which will occur on or after June 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of May 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Current:			
Marketable securities	¥ 275	¥ 275	$ 2,218
Noncurrent:			
Marketable equity securities	¥9,013	¥6,809	$72,686
Unlisted equity securities	249	249	2,008
Unlisted corporate bonds	20	170	161
Total noncurrent	¥9,282	¥7,228	$74,855

The cost and aggregate fair values of marketable and investment securities as of May 31, 2015 and 2014, were as follows:

	Millions of Yen			
	2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available for sale:				
Marketable equity securities	¥3,615	¥5,414	¥16	¥9,013
Other	275			275
Total	¥3,890	¥5,414	¥16	¥9,288

	Millions of Yen			
	2014			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available for sale:				
Marketable equity securities	¥3,601	¥3,259	¥51	¥6,809
Other	275			275
Total	¥3,876	¥3,259	¥51	¥7,084

	Thousands of U.S. Dollars			
	2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available for sale:				
Marketable equity securities	$29,154	$43,661	$129	$72,686
Other	2,218			2,218
Total	$31,372	$43,661	$129	$74,904

Proceeds from sales of available-for-sale securities for the years ended May 31, 2015 and 2014, were ¥11,257 million ($90,782 thousand) and ¥18,737 million, respectively. Gross realized gains and losses on these sales, computed on a moving-average cost basis, for the year ended May 31, 2015, were ¥3 million ($24 thousand) and ¥0 million ($0 thousand), respectively, and for the year ended May 31, 2014, were ¥6 million and ¥0 million, respectively.

4. INVENTORIES

Inventories as of May 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Finished products and purchased merchandise	¥ 9,248	¥ 8,715	$ 74,580
Work in process	1,592	1,778	12,839
Raw materials and supplies	3,349	3,563	27,008
Total	¥14,189	¥14,056	$114,427

5. IMPAIRMENT LOSSES

For the year ended May 31, 2015, the Group recognized impairment losses of ¥147 million ($1,185 thousand) as other expenses for the business assets, because it is considered difficult to recover the investment amount due to a decline in profitability etc., we reduced the book value to the recoverable value. Additionally, we recognized impairment losses of ¥122 million ($984 thousand) as other expenses for idle assets. These assets are planned to be disposed of, so the carrying amounts of the assets were written down to the estimated recoverable amounts (memorandum value).

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans are principally composed of bank overdrafts. As is customary in Japan, the Group obtains financing by discounting trade notes receivable with banks. The weighted-average annual interest rates for short-term bank loans and notes discounted at May 31, 2015 and 2014, were 1.26% and 1.36%, respectively.

Long-term debt as of May 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Loans from banks and other financial institutions: 2014 : 0.60% - 1.90% (due: years ending May 31, 2015 - 2019) 2015 : 0.60% - 2.42% (due: years ending May 31, 2016 - 2021)			
Collateralized	¥1,193	¥1,599	$ 9,621
Unsecured	4,400	4,025	35,484
Obligations under finance leases	1,930	1,814	15,565
Total	7,523	7,438	60,670
Less current portion	2,987	1,847	24,089
Long-term debt, less current portion	¥4,536	¥5,591	$36,581

Annual maturities of long-term debt, less current portion, as of May 31, 2015, were as follows:

Years Ending May 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥3,179	$25,637
2018	619	4,992
2019	389	3,137
2020	264	2,129
2021 and thereafter	85	686
Total	¥4,536	$36,581

The assets pledged as collateral for short-term bank loans and long-term debt as of May 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Land	¥3,929	¥ 6,688	$31,686
Buildings and structures, less accumulated depreciation	637	901	5,137
Machinery and equipment, less accumulated depreciation	220	241	1,774
Investment securities	5,181	3,846	41,782
Total	¥9,967	¥11,676	$80,379

Of the above, property, plant and equipment assets that were provided for a factory foundations mortgage as of May 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Land	¥3,929	¥6,688	$31,686
Buildings and structures, less accumulated depreciation	637	901	5,137
Machinery and equipment, less accumulated depreciation	220	241	1,774
Total	¥4,786	¥7,830	$38,597

Bank overdrafts are generally covered under basic written agreements, which provide that additional collateral (including sums on deposit with such banks) or guarantors will be furnished at the banks' request and that any collateral furnished will be applicable to all indebtedness due to such banks. Certain long-term loan agreements provide that lenders may request the Group to submit proposals to pay dividends for approval. The Group has never received such a request from any of its lenders.

The Company concluded a syndicated loan agreement (balances at May 31, 2015 and 2014, were ¥1,500 million ($12,097 thousand) and ¥1,500 million, respectively), with Mizuho Bank, Ltd. as the Company's agent. This agreement is subject to the following financial covenants:

(1) Equity as of the year-end and the second quarter-end of each fiscal year shall be more than ¥21,000 million ($169,355 thousand) and no less than 75% of the balance of the corresponding period of the previous year, on a consolidated basis.

(2) Equity as of the year-end and the second quarter-end of each fiscal year shall be more than ¥18,000 million ($145,161 thousand) and no less than 75% of the balance of the corresponding period of the previous year, on a nonconsolidated basis.

(3) Ordinary income from Japanese GAAP shall not be a loss for two consecutive financial years after the fiscal year ended May 31, 2012, on a consolidated basis.

(4) Ordinary income from Japanese GAAP shall not be a loss for two consecutive financial years after the fiscal year ended May 31, 2012, on a nonconsolidated basis.

7. RETIREMENT BENEFITS

The Company and certain consolidated subsidiaries mainly have unfunded defined benefit plans and defined contribution plans for employees, directors and Audit and Supervisory Board members. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Some consolidated subsidiaries of the Company adopt the simplified method regarding computing liability for retirement benefits and periodic benefit costs.

The liability for retirement benefits at May 31, 2015 and 2014, for directors and Audit and Supervisory Board members is ¥287 million ($2,315 thousand) and ¥272 million, respectively. Amounts payable to directors and Audit and Supervisory Board members upon retirement are left to the approval of the Board of Directors.

Defined Benefits

(1) The changes in defined benefit obligation for the years ended May 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥3,191	¥3,083	$25,734
Current service cost	120	106	968
Interest cost	22	50	177
Actuarial (gains) losses	(40)	334	(323)
Benefits paid	(271)	(382)	(2,185)
Balance at end of year	¥3,022	¥3,191	$24,371

(2) The schedule of the net defined benefit liability accounted for by the simplified method was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥ 839	¥782	$ 6,766
Periodic benefit cost	160	155	1,290
Benefits paid	(171)	(98)	(1,379)
Others	6	(0)	48
Balance at end of year	¥ 834	¥839	$ 6,725

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unfunded defined benefit obligation	¥3,856	¥4,030	$31,097
Retirement allowances for directors and Audit and Supervisory Board Members	287	272	2,314
Net liability arising from defined benefit obligation	¥4,143	¥4,302	$33,411

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Liability for retirement benefits	¥4,143	¥4,302	$33,411
Net liability arising from defined benefit obligation	¥4,143	¥4,302	$33,411

(4) The components of net periodic benefit costs for the years ended May 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥120	¥106	$ 968
Interest cost	22	50	177
Recognized actuarial losses	41	17	331
Periodic benefit cost calculated by the simplified method	160	155	1,290
Net periodic benefit costs	¥343	¥328	$2,766

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of May 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Actuarial losses	¥81		$654
Total	¥81		$654

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of May 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized actuarial losses	¥304	¥385	$2,452
Total	¥304	¥385	$2,452

(7) Assumptions used for the years ended May 31, 2015 and 2014, were as follows:

	2015	2014
Discount rate	0.8%	0.8%

The expected compensation increase rates are based on the age-specific compensation increase index as of May 31, 2015 and 2014.

Defined Contribution

The amounts of required contributions to the defined contribution plans of the Company and consolidated subsidiaries for the years ended May 31, 2015 and 2014 were ¥160 million ($1,290 thousand) and ¥158 million, respectively.

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a)Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b)Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of the legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and the legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c)Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 35.6% and 38.0% for the years ended May 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of May 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Allowance for doubtful receivables and accounts	¥ 49	¥ 53	$ 395
Liabilities for retirement benefits	1,325	1,515	10,685
Tax loss carryforwards	1,159	1,142	9,347
Investment securities	89	98	718
Inventories	268	241	2,161
Other	568	599	4,581
Less valuation allowance	(809)	(797)	(6,524)
Total deferred tax assets	¥2,649	¥2,851	$21,363
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	¥1,613	¥1,018	$13,008
Land	420	459	3,387
Other	509	449	4,105
Total deferred tax liabilities	¥2,542	¥1,926	$20,500
Net deferred tax assets	¥1,115	¥1,450	$ 8,992
Net deferred tax liabilities	¥1,008	¥ 525	$ 8,129

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended May 31, 2015 and 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	35.6%	38.0%
Change in valuation allowance	2.0	(5.6)
Expenses not deductible for income tax purposes	0.6	1.0
Per capita levy	1.3	1.4
Difference of tax rates for foreign subsidiaries	(0.3)	(2.4)
Equity in gains of associated companies	(2.2)	(3.6)
Effect of corporate income tax rate reduction in Japan	3.1	1.3
Other - net	(1.1)	(1.6)
Actual effective tax rates	39.0%	28.5%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after June 1, 2015, to approximately 33.1% and for the fiscal year beginning on or after June 1, 2016, to approximately 32.3%. The effect of these changes was to decrease deferred tax assets by ¥159 million ($1,282 thousand), deferred tax liabilities by ¥207 million ($1,669 thousand), deferred tax liabilities related to land revaluation excess by ¥405 million ($3,267 thousand), defined retirement benefit plan by ¥10 million ($81 thousand) and increase net unrealized gain on available-for-sale securities by ¥165 million ($1,331 thousand), deferred loss on derivatives under hedge accounting by ¥1 million ($8 thousand), land revaluation excess by ¥405 million ($3,267 thousand) in the consolidated balance sheet as of May 31, 2015, and to increase income taxes-deferred in the consolidated statement of income for the year then ended by ¥107 million ($863 thousand).

At May 31, 2015, certain subsidiaries have tax loss carryforwards aggregating approximately ¥3,033 million ($24,460 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years Ending May 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 41	$ 331
2018	117	944
2019	409	3,298
2020	5	40
2021 and thereafter	2,461	19,847
Total	¥3,033	$24,460

10. R&D COSTS

R&D costs charged to income were ¥380 million ($3,065 thousand) and ¥371 million for the years ended May 31, 2015 and 2014, respectively.

11. FINANCIAL INSTRUMENTS

(1) Group policy for financial instruments

The Group uses financial instruments, mainly long-term debt, including bank loans, corporate bonds and lease obligations, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Short-term bank loans are used to fund the Group's ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in Note 12.

(2) Nature and extent of risks arising from financial instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Receivables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

Marketable and investment securities, mainly the stocks of financial institutions, customers and suppliers of the Company, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Payables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange

rates. Short-term bank loans are used to trade transactions. Long-term debt and obligations of finance leases are used to raise funds for capital investments.
A part of such payables is exposed to market risks from changes in variable interest rates; trade liabilities and loans are exposed to liquidity risk.
Derivatives mainly include foreign currency forward contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables. Please see Note 12 for more details about derivatives.

(3) Risk management for financial instruments

Credit risk management
Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Company manages and mitigates its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business sales department to identify the default risk of customers at an early stage. Also, subsidiaries of the Company manage credit risk based on the same guidelines.
The Company believes it has limited credit risk on derivative agreement transactions because it transacts with highly rated financial institutions.

Market risk management (foreign exchange risk and interest rate risk)
Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk with forecasted transactions is hedged principally by forward foreign currency contracts. Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables and bond payables.
Marketable and investment securities are managed by monitoring the market values and financial position of issuers on a regular basis.
Derivatives have been utilized in accordance with internal guidelines that regulate the authorization and credit limit.

Liquidity risk management
The Company manages liquidity risk through adequate financial planning by the Finance Department of the Company.

Complementary information for fair value of financial instruments
Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. The techniques include changing some factors and the fair values may be changed by adopting different assumptions. In addition, the contract amounts of derivatives in Note 12 do not directly indicate their market risk.

(4) Fair values of financial instruments
(a) Fair value of financial instruments

	Millions of Yen		
May 31, 2015	Carrying Amount	Fair Value	Net Unrealized Gains/Losses
Cash and cash equivalents	¥ 9,543	¥ 9,543	
Short-term investments	120	120	
Notes receivable - trade	9,068	9,068	
Accounts receivable - trade	14,550	14,550	
Marketable securities and investment securities	9,288	9,288	
Total	¥42,569	¥42,569	
Notes payable - trade	¥ 4,964	¥ 4,964	
Accounts payable - trade	14,780	14,780	
Short-term bank loans	9,541	9,541	
Current portion of long-term debt	2,987	2,987	
Long-term debt	4,536	4,476	¥60
Total	¥36,808	¥36,748	¥60
Derivatives	¥ 22	¥ 22	

	Millions of Yen		
May 31, 2014	Carrying Amount	Fair Value	Net Unrealized Gains/Losses
Cash and cash equivalents	¥ 9,564	¥ 9,564	
Short-term investments	120	120	
Notes receivable - trade	8,821	8,821	
Accounts receivable - trade	13,210	13,210	
Marketable securities and investment securities	7,084	7,084	
Total	¥38,799	¥38,799	
Notes payable - trade	¥ 5,037	¥ 5,037	
Accounts payable - trade	14,742	14,742	
Short-term bank loans	9,878	9,878	
Current portion of long-term debt	1,847	1,847	
Long-term debt	5,591	5,505	¥86
Total	¥37,095	¥37,009	¥86
Derivatives	¥ (11)	¥ (11)	

	Thousands of U.S. Dollars		
May 31, 2015	Carrying Amount	Fair Value	Net Unrealized Gains/Losses
Cash and cash equivalents	$ 76,960	$ 76,960	
Short-term investments	968	968	
Notes receivable - trade	73,129	73,129	
Accounts receivable - trade	117,338	117,338	
Marketable securities and investment securities	74,904	74,904	
Total	$343,299	$343,299	
Notes payable - trade	$ 40,032	$ 40,032	
Accounts payable - trade	119,194	119,194	
Short-term bank loans	76,944	76,944	
Current portion of long-term debt	24,089	24,089	
Long-term debt	36,581	36,097	$484
Total	$296,840	$296,356	$484
Derivatives	$ 177	$ 177	

Assets
Cash and cash equivalents and notes and accounts receivable - trade
The fair values of cash and cash equivalents and notes and accounts receivable - trade approximate their carrying amounts as these amounts are settled in a short period of time.

Marketable and investment securities
The fair values of marketable and investment securities are measured at the quoted market price at the stock exchange for equity instruments and at the quoted price obtained from financial institutions for certain debt instruments. Information on the fair value of the marketable and investment securities by classification is included in Note 3.

Liabilities
Notes and accounts payable - trade, short-term bank loans and current portion of long-term debt
The fair values of notes and accounts payable - trade, short-term bank loans and current portion of long-term debt approximate their carrying amounts as these amounts are settled in a short period of time.

Long-term debt
The fair values of long-term loans at fixed interest rates are determined by discounting the cash flows related to the loans at the Company's assumed corporate borrowing rates. For the part of loans that is subjected to interest rate swaps, qualifies for hedge accounting, and meets specific matching criteria, the fair values are determined by discounting the cash flows related to the loans with the interest rate swaps at the Company's assumed corporate borrowing rates.

Derivatives
Information on the fair value of derivatives is included in Note 12.

(b) Carrying amounts of financial instruments whose fair value cannot be reliably determined are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unlisted equity securities	¥249	¥249	$2,008
Unlisted corporate bonds	20	170	161

(5) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen	
May 31, 2015	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	¥ 9,543	
Short-term investments	120	
Notes receivable - trade	9,068	
Accounts receivable - trade	14,550	
Marketable securities and investment securities with contractual maturities:		
Corporate bonds		¥20
Total	¥33,281	¥20

	Millions of Yen	
May 31, 2014	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	¥ 9,564	
Short-term investments	120	
Notes receivable - trade	8,821	
Accounts receivable - trade	13,210	
Marketable securities and investment securities with contractual maturities:		
Corporate bonds		¥170
Total	¥31,715	¥170

	Thousands of U.S. Dollars	
May 31, 2015	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	$ 76,960	
Short-term investments	968	
Notes receivable - trade	73,129	
Accounts receivable - trade	117,338	
Marketable securities and investment securities with contractual maturities:		
Corporate bonds		$161
Total	$268,395	$161

Please see Note 6 for annual maturities of long-term debt and obligations under finance leases.

12. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative financial instrument contracts, in the normal course of business, to reduce its exposure to fluctuations in interest rates and foreign exchange rates. The Group utilizes interest rate swaps to hedge interest exposure on long-term debt. The Group also enters into foreign exchange forward contracts to hedge market risk from changes in foreign exchange rates associated with assets and liabilities denominated in foreign currencies. The Group does not hold or issue derivatives for trading purposes.
Because the counterparties to these derivatives are limited to major financial institutions, the Group does not anticipate any losses arising from credit risk.
Derivatives have been utilized in accordance with internal guidelines that regulate the authorization and the credit limit. Each derivative transaction is reported to the Accounting Department of the Company.

Derivative transactions to which hedge accounting is applied as of May 31, 2015 and 2014, are as follows:

	Millions of Yen			
At May 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S. dollar	Accounts receivable - trade	¥ 412		*1
Selling euro	Accounts receivable - trade	58		*1
Buying U.S. dollar	Accounts payable - trade	6		*1
Buying euro	Accounts payable - trade	40		*1
Foreign currency forward contracts:				
Selling U.S. dollar	Accounts receivable - trade	¥ 26		¥ 25
Buying U.S. dollar	Accounts payable - trade	526		549
Interest rate swaps:				
(fixed-rate payment, floating-rate receipt)	Long-term loans	¥2,660	¥1,740	*2

	Millions of Yen			
At May 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S. dollar	Accounts receivable - trade	¥ 179		*1
Buying U.S. dollar	Accounts payable - trade	85		*1
Buying euro	Accounts payable - trade	6		*1
Foreign currency forward contracts:				
Selling U.S. dollar	Accounts receivable - trade	¥ 22		¥ 1
Buying U.S. dollar	Accounts payable - trade	888		(3)
Buying euro	Accounts payable - trade	0		(0)
Interest rate swaps:				
(fixed-rate payment, floating-rate receipt)	Short-term loans	¥1,000		¥ (9)
Interest rate swaps:				
(fixed-rate payment, floating-rate receipt)	Long-term loans	¥2,842	¥2,560	*2

	Thousands of U.S. Dollars			
At May 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S. dollar	Accounts receivable - trade	$ 3,323		*1
Selling euro	Accounts receivable - trade	468		*1
Buying U.S. dollar	Accounts payable - trade	48		*1
Buying euro	Accounts payable - trade	323		*1
Foreign currency forward contracts:				
Selling U.S. dollar	Accounts receivable - trade	$ 210		$ 202
Buying U.S. dollar	Accounts payable - trade	4,242		4,427
Interest rate swaps:				
(fixed-rate payment, floating-rate receipt)	Long-term loans	$21,452	$14,032	*2

*1.Foreign currency forward contracts are accounted for as part of accounts receivable and accounts payable. Therefore, the fair value of the contracts are included in the fair value of underlying accounts receivable and accounts payable.

*2.The part of interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 11 is included with that of the hedged items (i.e., long-term debt).

The fair value of foreign currency forward contracts is measured using quoted prices obtained from financial institutions.

13. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended May 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥2,192	¥ 319	$17,677
Reclassification adjustments to profit or loss	(3)	(6)	(24)
Amount before income tax effect	2,189	313	17,653
Income tax effect	(596)	(108)	(4,807)
Total unrealized gain on available-for-sale securities	1,593	205	12,846
Deferred gain on derivatives under hedge accounting:			
Gains (losses) arising during the year	41	(68)	331
Reclassification adjustments to profit or loss	(8)	(9)	(65)
Amount before income tax effect	33	(77)	266
Income tax effect	(11)	29	(89)
Total deferred gain (loss) on derivatives under hedge accounting	22	(48)	177
Land revaluation surplus:			
Income tax effect	405		3,267
Foreign currency translation adjustments:			
Adjustments arising during the year	1,042	347	8,403
Remeasurements of defined benefit plans:			
Gains arising during the year	40		323
Reclassification adjustments to profit	41		331
Amount before income tax effect	81		654
Income tax effect	(39)		(315)
Total remeasurements of defined benefit plans	42		339
Share of other comprehensive income in associates:			
Gains (losses) arising during the year	3	(1)	23
Total other comprehensive income	¥3,107	¥ 504	$25,055

14. SUBSEQUENT EVENT

The following appropriation of retained earnings as of May 31, 2015, was approved at the Company's shareholders' meeting held on August 28, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3 ($0.02) per share	¥226	$1,823

15. SEGMENT INFORMATION

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments

The Group's reportable segments are components for which separate financial information is available and whose operating results are reviewed regularly by the Board of Directors in order to determine allocation of resources and assess segment performance. The Group is organized by business operating units and subsidiaries which are separated based on the products and services they provide. Each of these units and subsidiaries plan comprehensive strategies for business and perform business activities. Therefore, based on these business operating units and also taking account of the types of products and the similarities in markets, the reportable segments of the Group are divided into three segments: the interior fittings segment, the automotive textile and traffic facilities segment and the functional materials segment. The interior fittings segment includes manufacturing and sales of carpets, curtains, wallpapers and other flooring materials. The automotive textile and traffic facilities segment includes manufacturing and sales of interior materials for automobiles, trains, buses, ships, aircraft and other conveyances. The functional materials segment includes manufacturing and sales of electric carpets and related products, such as deodorizers and processing of silicon wafers for solar cells.

(2) Methods of measurement for the amounts of sales, profit, assets and other items for each reportable segment

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 2. The profits of reportable segments correspond to operating income. The internal sales or transfers among segments are based on actual market prices.

(3) Information about sales, profit, assets and other items by reportable segment

Millions of Yen — 2015

	Reportable Segments: Interior Fittings	Reportable Segments: Automotive Textile and Traffic Facilities	Reportable Segments: Functional Materials	Reportable Segments: Total	Others	Total	Reconciliations	Consolidated
Sales:								
Sales to customers	¥35,144	¥50,421	¥5,472	¥91,037	¥146	¥91,183		¥91,183
Intersegment sales	522	10	18	550	234	784	¥ (784)	
Total	¥35,666	¥50,431	¥5,490	¥91,587	¥380	¥91,967	¥ (784)	¥91,183
Segment profit	¥ 651	¥ 3,265	¥ 298	¥ 4,214	¥ 76	¥ 4,290	¥(1,188)	¥ 3,102
Segment assets	29,282	34,225	4,142	67,649	544	68,193	21,933	90,126
Other:								
Depreciation and amortization	318	1,100	309	1,727	17	1,744	119	1,863
Investments in associated companies accounted for by the equity method		334		334		334		334
Increase in property, plant and equipment and intangible assets	138	1,400	128	1,666	20	1,686	53	1,739

Millions of Yen — 2014

	Reportable Segments: Interior Fittings	Reportable Segments: Automotive Textile and Traffic Facilities	Reportable Segments: Functional Materials	Reportable Segments: Total	Others	Total	Reconciliations	Consolidated
Sales:								
Sales to customers	¥35,709	¥47,655	¥4,723	¥88,087	¥132	¥88,219		¥88,219
Intersegment sales	499	17	24	540	273	813	¥ (813)	
Total	¥36,208	¥47,672	¥4,747	¥88,627	¥405	¥89,032	¥ (813)	¥88,219
Segment profit	¥ 781	¥ 3,275	¥ 6	¥ 4,062	¥ 69	¥ 4,131	¥ (1,322)	¥ 2,809
Segment assets	28,508	30,982	4,178	63,668	519	64,187	21,654	85,841
Other:								
Depreciation and amortization	347	914	257	1,518	17	1,535	106	1,641
Investments in associated companies accounted for by the equity method		201		201		201		201
Increase in property, plant and equipment and intangible assets	140	874	867	1,881	11	1,892	119	2,011

Thousands of U.S. Dollars — 2015

	Reportable Segments: Interior Fittings	Reportable Segments: Automotive Textile and Traffic Facilities	Reportable Segments: Functional Materials	Reportable Segments: Total	Others	Total	Reconciliations	Consolidated
Sales:								
Sales to customers	$283,419	$406,621	$44,129	$734,169	$1,178	$735,347		$735,347
Intersegment sales	4,210	81	145	4,436	1,886	6,322	$ (6,322)	
Total	$287,629	$406,702	$44,274	$738,605	$3,064	$741,669	$ (6,322)	$735,347
Segment profit	$ 5,250	$ 26,331	$ 2,403	$ 33,984	$ 613	$ 34,597	$ (9,580)	$ 25,017
Segment assets	236,145	276,009	33,403	545,557	4,387	549,944	176,879	726,823
Other:								
Depreciation and amortization	2,565	8,871	2,492	13,928	137	14,065	959	15,024
Investments in associated companies accounted for by the equity method		2,694		2,694		2,694		2,694
Increase in property, plant and equipment and intangible assets	1,113	11,290	1,032	13,435	162	13,597	427	14,024

Note 1.Reconciliations of segment profit of ¥1,188 million ($9,580 thousand) consist of elimination of intersegment transactions of ¥26 million ($210 thousand) and corporate expenses unallocated to the respective reportable segments of ¥1,214 million ($9,790 thousand). Corporate expenses unallocated to the respective reportable segments include the costs of the Administrative Department and the Development Department of the Company.

2.Reconciliations of segment assets of ¥21,933 million ($176,879 thousand) consist of elimination of intersegment transactions of ¥254 million ($2,048 thousand) and corporate assets unallocated to the respective reportable segments of ¥22,187 million ($178,927 thousand). Corporate assets unallocated to the respective reportable segments mainly consist of surplus funds (cash, deposits and securities), long-term investments (investment securities) and assets of the Administrative Department of the Company.

(4) Information about geographical areas

Millions of Yen — 2015

For the year ended May 31, 2015	Japan	North and Central America	Asia	Others	Total
Sales to customers	¥63,271	¥17,340	¥10,092	¥480	¥91,183
Property, plant and equipment	21,641	3,648	1,755		27,044

Millions of Yen — 2014

For the year ended May 31, 2014	Japan	North and Central America	Asia	Others	Total
Sales to customers	¥64,694	¥14,258	¥8,820	¥447	¥88,219
Property, plant and equipment	22,190	2,799	1,798		26,787

Thousands of U.S. Dollars — 2015

For the year ended May 31, 2015	Japan	North and Central America	Asia	Others	Total
Sales to customers	$510,250	$139,839	$81,387	$3,871	$735,347
Property, plant and equipment	174,524	29,419	14,154		218,097

(5) Information about impairment losses of fixed assets by reportable segment

Millions of Yen — 2015

For the year ended May 31, 2015	Reportable Segments: Interior Fittings	Reportable Segments: Automotive Textile and Traffic Facilities	Reportable Segments: Functional Materials	Reportable Segments: Total	Others	Eliminations/ Corporate	Total
	¥36	¥155		¥191		¥78	¥269

Thousands of U.S. Dollars — 2015

For the year ended May 31, 2015	Reportable Segments: Interior Fittings	Reportable Segments: Automotive Textile and Traffic Facilities	Reportable Segments: Functional Materials	Reportable Segments: Total	Others	Eliminations/ Corporate	Total
	$290	$1,250		$1,540		$629	$2,169

(6) Information about negative goodwill by reportable segment

Millions of Yen — 2015

For the year ended May 31, 2015	Reportable Segments: Interior Fittings	Reportable Segments: Automotive Textile and Traffic Facilities	Reportable Segments: Functional Materials	Reportable Segments: Total	Others	Eliminations/ Corporate	Total
Amortization of negative goodwill		¥44		¥44			¥44
Balance of negative goodwill							

Millions of Yen — 2014

For the year ended May 31, 2014	Reportable Segments: Interior Fittings	Reportable Segments: Automotive Textile and Traffic Facilities	Reportable Segments: Functional Materials	Reportable Segments: Total	Others	Eliminations/ Corporate	Total
Amortization of negative goodwill		¥89		¥89			¥89
Balance of negative goodwill		44		44			44

Thousands of U.S. Dollars — 2015

For the year ended May 31, 2015	Reportable Segments: Interior Fittings	Reportable Segments: Automotive Textile and Traffic Facilities	Reportable Segments: Functional Materials	Reportable Segments: Total	Others	Eliminations/ Corporate	Total
Amortization of negative goodwill		$355		$355			$355
Balance of negative goodwill							

Corporate Data

Company Network (as of August 31, 2015)

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Nishi-Gotanda 2-Chome,
Shinagawa-ku, Tokyo 141-0031
Phone: +81-3-5434-2860
Fax: +81-3-5434-6542

Sales Offices

Sapporo, Aomori, Sendai, Saitama, Chiba, Yokohama, Shizuoka, Kanazawa, Nagoya, Kyoto, Kobe, Okayama, Hiroshima, Fukuoka

Factories

Nara, Shiga, Kyoto, Osaka, Aichi, Ishikawa

R&D Center

11-20, Minami-Semba 3-Chome,
Chuo-ku, Osaka 542-8504
Phone: +81-6-6251-6839
Fax: +81-6-6251-6868

Technical Center

Kubota, Ando-cho, Ikoma-gun,
Nara 639-1064
Phone: +81-743-57-5441
Fax: +81-743-57-6410

Subsidiaries

Japan
SUMINOE Co., Ltd.
RUNON CO., LTD.
Suminoe Logistics Co., Ltd.
Suminoe Works Co., Ltd.
Sewing Hyogo Co., Ltd.
Suminoe Teijin Techno Co., Ltd.
Marunaka Souei Co., Ltd.
Suminoe Techno Co., Ltd.
Tango Textile Co., Ltd.
Teijin Tecloth Ltd.
Owari Seisen Co., Ltd.
Kansai Laboratory Co., Ltd.
Suminoe Nakacho Device Technology Corporation

Subsidiaries

USA
Suminoe Textile of America Corporation
Bondtex, Inc.

Mexico
Suminoe Textile de Mexico, S.A. de C.V.

China
SPM Automotive Textile Co., Ltd.
Suzhou Suminoe Koide Automotive Accessories Co., Ltd.
Suminoe Textile Shanghai Co., Ltd.
Suzhou Suminoe Textiles Co., Ltd.

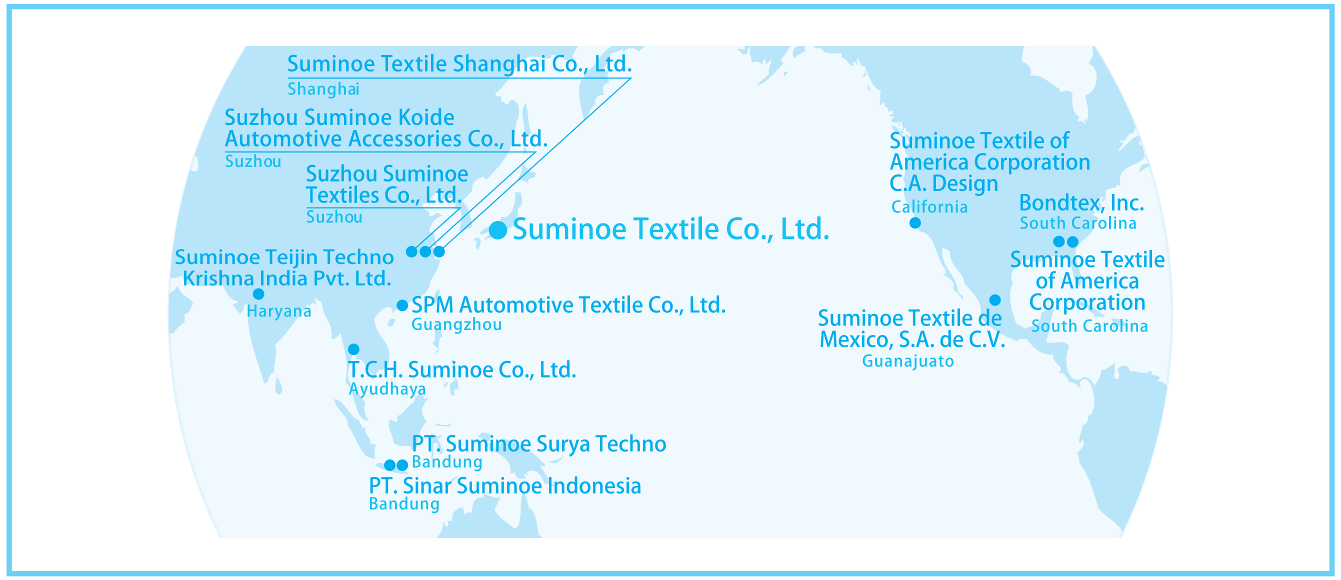
Thailand
T.C.H. Suminoe Co., Ltd.

Indonesia
PT. Suminoe Surya Techno
PT. Sinar Suminoe Indonesia

India
Suminoe Teijin Techno Krishna India Pvt. Ltd.

Associated Companies

Japan
Sumisho Airbag Systems Co., Ltd.
KST Co., Ltd.
Terra Science Co., Ltd.



Board of Directors and Corporate Auditors (as of August 28, 2015)

President

Ichizo Yoshikawa
(Representative Director)

Senior Managing Directors

Shozo Kawabata (Representative Director)
Yoshiaki Tanihara (Representative Director)

Managing Director

Hitoshi Iida

Directors

Yoshiteru Mimura
Kunihiko Kotaki
Yutaka Masuyama

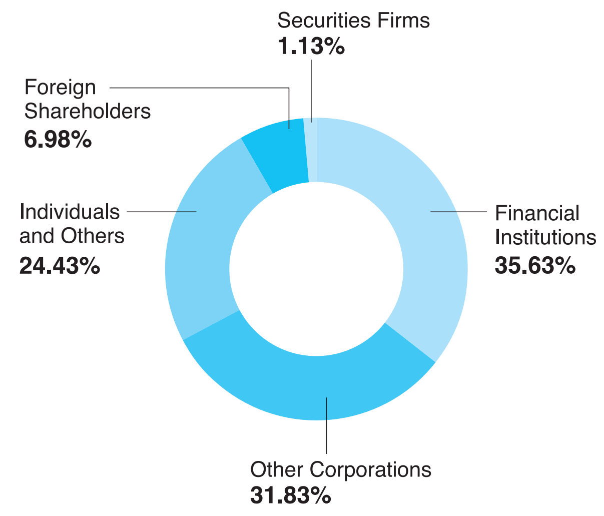
Corporate Auditors

Makoto Tatsumi
Hidenao Yoichi
Yasufumi Yamashita

Investor Information (as of May 31, 2015)

Founded:	1883
Incorporated:	December 25, 1913
	(Suminoe Textile Joint-Stock Company)
Change of Organization:	December 26, 1930
	(Suminoe Textile Co., Ltd.)
Capital:	¥9,554,173,950
Authorized Shares:	300,000,000
Issued Shares:	76,821,626
Shareholders:	5,179
Employees:	247 (Parent Company)
	2,604 (Consolidated Basis)

Composition of Shareholders :



Major Shareholders:

(as of May 31, 2015)

Name	Number of Shares (Thousands)	Percentage of Total Shares Outstanding
Takashimaya Company, Limited	9,249	12.26
Nippon Life Insurance Company	5,018	6.65
Marubeni Corporation	3,665	4.86
Japan Trustee Services Bank, Ltd. (Trust account)	2,954	3.92
Mizuho Bank, Ltd.	2,345	3.11
TOYOTA MOTOR CORPORATION	2,240	2.97
The Master Trust Bank of Japan Ltd. (Trust account)	2,128	2.82
The Master Trust Bank of Japan Ltd. (as trustee for Retirement Benefit Trust of UNITIKA LTD.)	1,788	2.37
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,742	2.31
Suminoe Textile Kyoeikai	1,656	2.20