

CONSOLIDATED FINANCIAL INFORMATION

October 31, 2016

Fiscal Year 2016 (2015/6 - 2016/5)

Suminoe Textile Co., Ltd.

MILLIONS OF YEN	12 Months		
	RESULTS		RESULTS
	FY2016		FY2015
	2015/6-2016/5		2014/6-2015/5
NET SALES	97,530	7.0%	91,183
Interior Fittings Segment	36,471	3.8%	35,144
Automotive Textiles and Traffic Facilities Segement	55,926	10.9%	50,421
Functional Materials Segment	4,972	-9.1%	5,472
Others	161	9.3%	146
OPERATING INCOME	2,554	-17.7%	3,102
Interior Fittings Segment	983	50.9%	651
Automotive Textiles and Traffic Facilities Segement	2,471	-24.3%	3,265
Functional Materials Segment	136	-54.6%	298
Others	105	41.0%	76
Elimination	-1,141	-	-1,188
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	245	-86.5%	1,816
PROFIT PER SHARE ATTRIBUTABLE TO OWNERS OF PARENT (YEN)	3.25	-	24.07

MILLIONS OF YEN	RESULTS		RESULTS
	FY2016		FY2015
	As of May 31, 2016		As of May 31, 2015
TOTAL ASSETS	86,878	-3.6%	90,126
EQUITY	37,178	-5.2%	39,205
EQUITY RATIO(%)	38.3%	-	39.0%

MILLIONS OF YEN	12 Months		
	RESULTS		FORECAST
	FY2016		FY2016
	2015/6-2016/5		2015/6-2016/5
NET SALES	97,530	-0.5%	98,000
Interior Fittings Segment	36,471	1.9%	35,800
Automotive Textiles and Traffic Facilities Segement	55,926	-0.8%	56,400
Functional Materials Segment	4,972	-12.0%	5,650
Others	161	7.2%	150
OPERATING INCOME	2,554	-32.8%	3,800
Interior Fittings Segment	983	42.4%	690
Automotive Textiles and Traffic Facilities Segement	2,471	-38.5%	4,020
Functional Materials Segment	136	-53.3%	290
Others	105	32.2%	80
Elimination	-1,141	-	-1,280
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	245	-90.5%	2,590
DIVIDEND PER SHARE (YEN)	7.0		7.0
MID	3.5		3.5
END	3.5		3.5

■ Overview of business results

During the first half of the consolidated fiscal year ending May 31, 2016 under review, the Japanese economy continued to experience a gradual recovery, mainly in domestic demand, thanks to stable corporate performance and a healthy employment environment, along with expansion of consumption by foreign visitors. However, the drastic fall in stock prices as well as the sharp appreciation of the yen, which began at the beginning of 2016, caused concerns about the worsening business performance of mainly export-based companies, making the economic outlook increasingly uncertain.

Overseas, despite the healthy employment environment and stable consumption trends, economic recovery in the United States remained moderate due to the cautious stance taken by companies regarding capital investment. At the same time, the slowdown in economic growth in China caused a decline in resource prices, having a significant impact on resource producer countries and emerging economies.

The announcement of our financial results for this year was substantially delayed due to the accounting trouble which originated at our US subsidiary STA. We deeply apologize for the inconvenience and anxiety to all our shareholders and other parties concerned.

Under these circumstances, our Group, under the basic policies of our new medium term 3-year management plan “Advance Ahead 2018”, implemented various measures to achieve the targets for the first fiscal year of the plan. As a result of consolidating Bondtex Inc. in US and PT. Sinar Suminoe Indonesia in Indonesia as our subsidiaries and due to the steady performance of the Interior Fittings segment, sales increased from the previous period. Meanwhile, operating income decreased due to various factors: STA suffered additional costs to respond to confusion in the production lines due to a rapid increase in orders. In Japan, some auto manufacturers suspended production in the aftermath of the Kumamoto earthquakes and the fuel economy scandal, while customers of our sliced silicon ingots for solar cells reduced production. Moreover, costs for the demolition of Matsubara Office and the impairment of equipment for sliced silicon ingots for solar cells were recorded as extraordinary losses while some of the deferred tax assets were reversed at STA. As a result, net income for the fiscal year under review fell far below that of the previous year.

As a result, our consolidated sales for this year under review were 97,530 millions of yen (up 7.0% year-on-year), with operating income, ordinary income and net income of 2,554 millions of yen (down 17.7%), 2,883 millions of yen (down 22.7%), and 245 millions of yen (down 86.5%), respectively.

The performance by segment is as described below.

Interior Fittings Segment

Sales of commercial-use carpets for office buildings, commercial facilities, and hotels exceeded those of the previous year along with an increase in the number of orders. Sales of “ECOS®”, eco-friendly carpet tiles under the “horizontal recycling” system, steadily increased both in Japan and for export. Sales of carpets, rugs and mats for general households decreased from the previous year due to slowdown in personal spending and the warm weather in winter. Sales of curtains exceeded those of the previous year thanks to the steady performance of “*mode S® Vol. 7*” and “*U Life® Vol. 8*”, our main brands, as well as the “Disney series” and our new brand “*cölne*”. Sales of wall coverings exceeded those of the previous year due to the healthy performance of both “*Runon Home*” and the mass-production type “*Runon Mark II*”.

As a result of the above, Interior Fittings Segment posted operating income of 983 millions of yen (up 50.9% year-on-year) on net sales of 36,471 millions of yen (up 3.8%).

Automotive Textiles and Traffic Facilities Segment

In the area of automotive textiles, In Japan, although sales were stable until the end of 2015 due to newly received orders, the performance after January 2016 suffered the impact of suspension of production by some auto manufacturers due to the Kumamoto earthquakes and the fuel economy scandal. Overseas, sales at our operation bases in Mexico and India rose from the previous year, while the consolidation of subsidiaries in the US and Indonesia also contributed to an increase in sales. The suspension of production and sales at some auto manufacturers affected our operating income in Japan as it did for sales. Overseas, despite a steady performance for newly received orders in Thailand and Indonesia, operating income declined substantially from the previous year. This is due to the inadequate response to an increase in orders at STA, which entailed quality problems and emergency transportation costs, and other factors including expenses for addressing inappropriate accounting, mainly concerning inventories, which was found in the fourth quarter.

In the area of traffic facilities, railway vehicle-related sales increased substantially, though without any new large-scale orders, thanks to the steady performance for continued orders related to new vehicle production and remodeling, as well as a recovery in orders for periodic replacement of seat covers. Orders for new buses continued to grow steadily, along with a rise in demand for high value-added goods for optional accessories, resulting in an increase in both sales and operating income. Orders for seat covering materials for airplanes also marked steady growth. Consequently, in traffic facilities as a whole, both sales and operating income grew

substantially from the previous year.

As a result of the above, the Automotive Textiles and Traffic Facilities segment posted operating income of 2,471 millions of yen (down 24.3% year-on-year) on net sales of 55,926 millions of yen (up 10.9%).

Functional Materials Segment

In the area of functional materials, both sales and operating income exceeded those of the previous year, thanks to the sound performance of a floor material for bathrooms, whose full-scale production started in the previous year, and building materials. In the electric carpet business, both sales and operating income decreased from the previous year because of the reluctance of manufacturers to expand product lines, associated with a decrease in the number of orders. In the deodorizing/filter business, both sales and operating income declined from the previous year due to the stagnant performance of filters for overseas markets. In the solar battery-related business, both sales and operating income were substantially lower than for the previous year due to the impact of reduction of production by our customers.

As a result of the above, the Functional Materials Segment posted operating income of 136 millions of yen (down 54.6% year-on-year) on net sales of 4,972 millions of yen (down 9.1%).

■ Outlook for the next term

In Japan, concerns are growing over the deterioration of corporate performance due to the yen's appreciation. Overseas, the impact of a slowdown in the growth of the Chinese economy on resource producer/emerging countries is expanding, while the UK voted to leave the EU. All these factors make the outlook for the world economy uncertain. For our business, overseas sales and income are both expected to decline due to foreign exchange losses as a result of the rising yen and the currencies of emerging countries falling at a pace much faster than we expected at the launch of the new medium-term 3-year management plan "Advance Ahead 2018". Although STA has been recovering from the production trouble that occurred in the fiscal year ended May 2016, its effects are likely to remain in the fiscal year ending May 2017. In light of these circumstances, our plan for the fiscal year ending May 2017 aims at sales of 95,400 millions of yen, operating income of 1,540 millions of yen, ordinary income of 1,750 millions of yen, and net income of 740 millions of yen.

■ Basic policy regarding profit distribution and dividends for this and next fiscal years ———

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, for this fiscal year, we have decided to pay an annual dividend of 7.0 yen per share (3.5 yen per share for both year-end and interim dividends).

In addition, it plans to pay an annual dividend of 7.0 yen per share (an interim dividend of 3.5 yen and year-end dividend of 3.5 yen) for the fiscal year ending May 2017.