



Consolidated Financial Results for the First Quarter of Fiscal Year 2018 (Japanese GAAP)

October 13, 2017

Listed company name Suminoe Textile Co., Ltd. Listed on the Tokyo Stock Exchange
Code number 3501 URL: <http://suminoe.jp/>
Representative (Title) Chairman and President (Name) Ichizo Yoshikawa
Responsible contact person (Title) Director, General Manager, Corporate Planning Department (Name) Teppei Nagata
(Phone) +81-6-6251-6803
Scheduled date of filing of quarterly report: October 13, 2017 Scheduled date of dividend payment: —
Preparation of supplementary explanatory documents for quarterly financial results: No
Holding analyst meeting for quarterly financial results: No

(Amounts are rounded down to the nearest millions of yen) (Figures in brackets are negative)

1. Consolidated Financial Results for the 1st Quarter of FY2018 (June 1, 2017 to August 31, 2017)

(1) Consolidated Operating Results (accumulation) (% change from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Q1 of FY ending May 31, 2018	23,143	3.4	345	—	413	—	(1)	—
Q1 of FY ended May 31, 2017	22,392	(0.4)	(241)	—	(240)	—	(225)	—

(Note) Comprehensive income Q1 of FY ending May 31, 2018: 542 millions of yen (— %)
Q1 of FY ended May 31, 2017: (1,041) millions of yen (— %)

	Profit per share Basic	Profit per share Diluted
	Yen	Yen
Q1 of FY ending May 31, 2018	(0.02)	—
Q1 of FY ended May 31, 2017	(2.99)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
Q1 of FY ending May 31, 2018	88,612	37,595	37.7
FY2017	90,254	37,398	36.9

(Reference) Shareholders' equity Q1 of FY ending May 31, 2018: 33,370 millions of yen FY2017: 33,285 millions of yen

2. Dividend Information

	Dividend per share				
	First quarter	Second quarter	Third quarter	End of the year	Annual
	Yen	Yen	Yen	Yen	Yen
FY2017	—	3.50	—	3.50	7.00
FY2018	—	—	—	—	—
FY2018 (Forecast)	—	3.50	—	35.00	—

(Note) Revision of the latest dividend forecast: Yes

The Company plans to consolidate its common shares at a ratio of 10 shares to 1 share, effective on December 1, 2017. Accordingly, the forecast for the year-end dividend per share for the year ending May 31, 2018 is the value after reflecting the impact of the share consolidation, while the forecast for the annual dividend per share is omitted. Meanwhile, the forecast for the year-end dividend per share and the annual dividend per share for the year ending May 31, 2018, calculated without reflecting the impact of the share consolidation, are 3.50 yen and 7.00 yen, respectively. For details, please refer to the "Explanation on the appropriate use of forecasts and other special issues."

3. Forecast of Consolidated Financial Results for FY2018 (June 1, 2017 to May 31, 2018)

(% change from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Interim	48,300	2.0	1,380	—	1,490	660.1	780	—	10.34
Full year	97,500	1.5	2,800	115.8	2,950	116.2	1,500	—	198.84

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

The forecast for profit per share for the fiscal year ending May 31, 2018 (full year) is the value after reflecting the impact of the share consolidation. Meanwhile, the forecast for profit per share for the fiscal year ending May 31, 2018 (full year), calculated without reflecting the impact of the share consolidation, is 19.88 yen. For details, please refer to the “Explanation on the appropriate use of forecasts and other special issues.”

*Notes

- (1) Major changes in significant consolidated subsidiaries during the period (changes in specified subsidiaries accompanying change in the scope of consolidation): No
- (2) Adoption of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, financial estimates and restatements
 - (i) Changes in accounting policies due to revisions of accounting standards: No
 - (ii) Changes in accounting policies other than (i) above: No
 - (iii) Changes in financial estimates: No
 - (iv) Restatements of financial statements: No

(4) Number of shares issued (common stock)

- (i) Number of shares issued at the end of the period (including treasury stock)
- (ii) Number of treasury shares at the end of the period
- (iii) Average number of shares outstanding during the period (quarterly consolidated cumulative period)

Q1 of FY2018	76,821,626 shares	FY2017	76,821,626 shares
Q1 of FY2018	1,386,149 shares	FY2017	1,384,616 shares
Q1 of FY2018	75,436,255 shares	Q1 of FY2017	75,443,405 shares

(Note) The summary of quarterly financial results is outside the scope of quarterly review.

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

(Note on the forward-looking statements)

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

(Forecast of dividend and financial results after the share consolidation)

At the 128th Regular General Meeting of Shareholders held on August 30, 2017, the resolution on the share consolidation was approved. Accordingly, the Company plans to consolidate its common shares at a ratio of 10 shares to 1 share, effective on December 1, 2017. In addition, it plans to change the number of shares per share unit on the same day (from 1,000 shares to 100 shares).

Meanwhile, the forecast for the annual dividend per share and consolidated financial results for the fiscal year ending May 31, 2018, calculated without reflecting the impact of the share consolidation are as follows:

1. Forecast for the annual dividend per share for the fiscal year ending May 31, 2018

Dividend per share

End of the year: 3.50 yen

Annual: 7.00 yen

2. Forecast for consolidated financial results for the fiscal year ending May 31, 2018

Profit per share Basic

Full year: 19.88 yen

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

(1) Explanation of business results

During the first quarter of the consolidated fiscal year under review, the Japanese economy gradually recovered against the backdrop of solid corporate earnings and a stable employment environment. The outlook for the global economy became uncertain, due to policy developments under the Trump administration in the U.S. and geopolitical risks, such as the North Korea problem, although the economy in the U.S. and in Europe was on the rebound. Under these circumstances, our consolidated net sales for the first quarter of the consolidated fiscal year under review, the first year of our 5th three-year medium-term management plan “2020”, were 23,143 millions of yen (up 3.4% year-on-year), with operating income of 345 millions of yen (operating loss of 241 millions of yen in the same period of the previous year), ordinary income of 413 millions of yen (ordinary loss of 240 millions of yen), and loss attributable to owners of parent of 1 million of yen (loss attributable to owners of parent of 225 millions of yen). The performance by segment is as described below.

(Interior Fittings Segment)

Sales of commercial-use carpets decreased from the previous year due to sluggish growth in the export of *ECOS*[®], eco-friendly carpet tiles under the *horizontal recycling* system and the dearth of large-scale orders, although we focused our efforts on obtaining orders for carpets related to the remodeling of office buildings, commercial facilities, and hotels in Japan. Sales of curtains fell over the last year due to weak sales of *Face*, curtains for medical, welfare, and educational institutions, although *mode S*[®] *Vol. 8* sold steadily. Sales of carpets, rugs and mats for general households declined from the previous year, since consumers remained reluctant to spend on such items. Sales of wall coverings grew from the last year due to robust sales of *Runon Fresh Premium* and the mass-production type *Runon Mark II*.

Consequently, the Interior Fittings Segment posted operating loss of 156 millions of yen (operating loss of 59 millions of yen in the same period of the previous year) on net sales of 8,072 millions of yen (down 0.9% year-on-year).

(Automotive Textiles and Traffic Facilities Segment)

In the area of automotive textiles, overall sales increased from the previous year. In Japan, sales of automobiles across the market grew steadily. In addition to the expansion in sales for existing models, growth in orders for new models we received largely contributed to a rise in sales. Meanwhile, our overseas sales also helped increasing our overall sales due to a robust rise in sales of Japanese cars in China and growth in orders for new models we received in Thailand, despite a slight decrease in sales of automobiles in the U.S.

In the area of traffic facilities, railway vehicle-related sales were sluggish due to the disappearance of orders related to public subway projects that had contributed to sales growth in the previous year, although orders related to new vehicle production and remodeling steadily increased. Meanwhile, orders related to buses were also weak due to a decrease in the production of some new buses. Therefore, both sales and operating income decreased from the previous year in traffic facilities as a whole.

Consequently, the Automotive Textiles and Traffic Facilities Segment posted operating income of 799 millions of yen (down 3.3% year-on-year) on net sales of 14,332 millions of yen (up 7.0%).

(Functional Materials Segment)

Electric carpets, deodorizing filters for air purifiers and heating equipment, and carpets for airplanes sold well. As a result, both sales and operating income in these businesses exceeded those of the previous year. Floor materials for bathrooms also sold steadily. Therefore, the business saw sales and operating income stay in line with the previous year.

As mentioned above, overall business was strong in the Functional Materials Segment. However, we excluded Suminoe Nakacho Device Technology Corporation from the scope of consolidation at the end of December 2016. Consequently, the Functional Materials Segment posted operating income of 21 millions of yen (operating loss of 44 millions of yen in the same period of the previous year) on net sales of 698 millions of yen (down 13.6% year-on-year).

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

Since our business results for the first quarter of the consolidated fiscal year under review are almost in line with our plan, there are no modifications to the forecasts for the second quarter and the full year of the fiscal year ending May 31, 2018 announced on July 14, 2017.

2. Consolidated Quarterly Financial Statements and Major Notes

(1) Consolidated quarterly balance sheet

(Unit: millions of yen)

	FY2017 (As of May 31, 2017)	Q1 of FY2018 (As of August 31, 2017)
Assets		
Current assets		
Cash and deposits	7,050	5,864
Notes and accounts receivable-trade	17,866	17,831
Electronically recorded monetary claims - operating	4,719	4,562
Merchandise and finished goods	10,449	11,416
Work in process	1,925	1,571
Raw materials and supplies	4,170	3,947
Income taxes receivable	379	367
Other	4,397	3,674
Allowance for doubtful accounts	(23)	(25)
Total current assets	50,934	49,209
Non-current assets		
Property, plant and equipment		
Land	17,604	17,605
Other, net	10,238	10,058
Total property, plant and equipment	27,842	27,663
Intangible assets	1,047	1,016
Investments and other assets		
Investment securities	9,037	9,419
Other	1,535	1,447
Allowance for doubtful accounts	(143)	(143)
Total investments and other assets	10,429	10,722
Total non-current assets	39,319	39,402
Total assets	90,254	88,612

(Unit: millions of yen)

	FY2017 (As of May 31, 2017)	Q1 of FY2018 (As of August 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,381	14,270
Electronically recorded obligations - operating	3,854	3,815
Short-term loans payable	12,411	12,711
Income taxes payable	462	380
Other	4,109	3,435
Total current liabilities	36,218	34,613
Non-current liabilities		
Bonds payable	500	500
Long-term loans payable	6,035	5,735
Provision for directors' retirement benefit	334	346
Net defined benefit liability	4,048	4,084
Other	5,718	5,736
Total non-current liabilities	16,636	16,403
Total liabilities	52,855	51,016
Net assets		
Shareholders' equity		
Capital stock	9,554	9,554
Capital surplus	2,652	2,652
Retained earnings	10,266	10,001
Treasury shares	(362)	(362)
Total shareholders' equity	22,111	21,845
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,035	3,361
Deferred gains or losses on hedges	(9)	(17)
Revaluation reserve for land	7,797	7,797
Foreign currency translation adjustment	549	573
Remeasurements of defined benefit plans	(198)	(190)
Total accumulated other comprehensive income	11,174	11,525
Non-controlling interests	4,113	4,225
Total net assets	37,398	37,595
Total liabilities and net assets	90,254	88,612

(2) Consolidated Quarterly Statement of Income
(The first quarter of FY2018)

(Unit: millions of yen)

	Q1 of FY2017 (June 1, 2016 to August 31, 2016)	Q1 of FY2018 (June 1, 2017 to August 31, 2017)
Net sales	22,392	23,143
Cost of sales	17,888	18,524
Gross profit	4,503	4,618
Selling, general and administrative expenses	4,745	4,273
Operating income (loss)	(241)	345
Non-operating income		
Interest income	3	2
Dividend income	66	40
Share of profit of entities accounted for using equity method	32	3
Real estate rent	26	58
Dividend income of insurance	34	35
Other	30	31
Total non-operating income	194	172
Non-operating expenses		
Interest expenses	60	62
Foreign exchange losses	101	10
Rent expenses on real estates	9	9
Other	20	21
Total non-operating expenses	192	104
Ordinary income (loss)	(240)	143
Extraordinary income		
Gain on sales of non-current assets	51	1
Gain on sales of investment securities	—	5
Total extraordinary income	51	6
Extraordinary loss		
Loss on sales and retirement of non-current assets	32	1
Total extraordinary loss	32	1
Profit (loss) before income taxes	(221)	418
Income taxes-current	96	248
Income taxes - deferred	(189)	(5)
Total income taxes	(92)	243
Profit (loss)	(128)	174
Profit attributable to non-controlling interests	97	176
Loss attributable to owners of parent	(225)	(1)

(3) Major Notes on Consolidated Quarterly Financial Statements

(Segment information)

I Q1 of FY2017 (June 1, 2016 to August 31, 2016)

1. Information on net sales and income or loss by reportable segment

(Unit: millions of yen)

	Reportable Segments				Other (Note 1)	Total	Adjustment (Note 2)	Figures in consolidated quarterly statement of income (Note 3)
	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total				
Net sales								
Net sales to outside customers	8,148	13,393	808	22,351	41	22,392	—	22,392
Inter-segment sales and transfers	136	5	1	143	60	204	(204)	—
Total	8,285	13,399	810	22,494	101	22,596	(204)	22,392
Segment income (loss)	(59)	826	(44)	722	23	745	(987)	(241)

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

2. Adjustment of -987 millions of yen in segment income (loss) includes eliminations among segments of 7 millions of yen and corporate expenses unallocated to relevant reportable segments of -995 millions of yen. Unallocated corporate expenses mainly consist of expenses for the Administrative division and R&D division that do not belong to any reportable segment.

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

II Q1 of FY2018 (June 1, 2017 to August 31, 2017)

1. Information on net sales and income or loss by reportable segment

(Unit: millions of yen)

	Reportable Segments				Other (Note 1)	Total	Adjustment (Note 2)	Figures in consolidated quarterly statement of income (Note 3)
	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total				
Net sales								
Net sales to outside customers	8,072	14,332	698	23,103	40	23,143	—	23,143
Inter-segment sales and transfers	153	2	1	156	55	212	(212)	—
Total	8,225	14,334	699	23,260	96	23,356	(212)	23,143
Segment income (loss)	(156)	799	21	665	20	685	(339)	345

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

2. Adjustment of -339 millions of yen in segment income (loss) includes eliminations among segments of 6 millions of yen and corporate expenses unallocated to relevant reportable segments of -346 millions of yen. Unallocated corporate expenses mainly consist of expenses for the Administrative division and R&D division that do not belong to any reportable segment.

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