



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

January 12, 2018

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: January 12, 2018 Scheduled date of dividend payment: February 13, 2018  
Preparation of supplementary explanatory documents for quarterly financial results: No  
Holding analyst meeting for quarterly financial results: Yes (For institutional investors and securities analysts)  
(Amounts are rounded down to the nearest millions of yen) (Figures in brackets are negative)

### 1. Consolidated Financial Results for the 2nd Quarter of FY2018 (June 1, 2017 to November 30, 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	%
Q2 of FY ending May 31, 2018	49,195	3.9	1,332	—	1,514	672.8	872	—
Q2 of FY ended May 31, 2017	47,334	(3.1)	80	(93.7)	196	(87.1)	23	(96.9)

(Note) Comprehensive income Q2 of FY ending May 31, 2018: 2,160 millions of yen (— %)  
Q2 of FY ended May 31, 2017: 53 millions of yen ((90.9)%)

	Profit per share Basic	Profit per share Diluted
	Yen	Yen
Q2 of FY ending May 31, 2018	115.68	—
Q2 of FY ended May 31, 2017	3.09	—

\* Suminoe Textile Co., Ltd. (“The Company”) consolidated its common shares at a ratio of 10 shares to 1 share, effective December 1, 2017. Therefore, profit per share was calculated on the assumption that the relevant share consolidation had been implemented at the beginning of the previous consolidated fiscal year.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
Q2 of FY ending May 31, 2018	92,441	39,073	37.6
FY2017	90,254	37,398	36.9

(Reference) Shareholders' equity Q2 of FY ending May 31, 2018: 34,717 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	—	3.50	—	—	—
FY2018 (Forecast)	—	—	—	35.00	—

(Note) Revision of the latest dividend forecast: No

\* The Company consolidated its common shares at a ratio of 10 shares to 1 share, effective 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 Basic
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	97,500	1.5	2,800	115.8	2,950	116.2	1,500	—	198.85

(Note) Revision of the latest forecasts of operational results: No

\* 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)

Q2 of FY2018	7,682,162 shares	FY2017	7,682,162 shares
Q2 of FY2018	138,748 shares	FY2017	138,461 shares
Q2 of FY2018	7,543,554 shares	Q2 of FY2017	7,544,273 shares

\* The Company consolidated its common shares at a ratio of 10 shares to 1 share, effective December 1, 2017. Therefore, the number of shares issued at the end of the period, number of treasury shares at the end of the period, and average number of shares outstanding during the period were calculated on the assumption that the relevant share consolidation had been implemented at the beginning of the previous consolidated fiscal year.

(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 Ordinary General Meeting of Shareholders held on August 30, 2017, the resolution on the share consolidation was approved. Accordingly, the Company consolidated its common shares at a ratio of 10 shares to 1 share, effective December 1, 2017. In addition, it changed 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 second quarter of the fiscal year under review

### (1) Explanation of business results

During the second quarter of the consolidated fiscal year under review, in Japan, although corporate earnings and the employment environment remained strong, there was only modest recovery in personal consumption due to sluggish wage growth. Overseas, following recovery of the U.S. economy, the economy in Europe was also on a recovery trend. However, global economic conditions as a whole remained unsettled due to uncertainty over Trump administration policies and heightened geopolitical risks.

Under these circumstances, our consolidated net sales for the second quarter of the consolidated fiscal year under review, the first year of our 5th three-year medium-term management plan “2020”, were 49,195 millions of yen (up 3.9% year-on-year), with operating income of 1,332 millions of yen (up 1,252 millions of yen), ordinary income of 1,514 millions of yen (up 672.8%), and profit attributable to owners of parent of 872 millions of yen (up 849 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 slightly slower growth in the export of *ECOS®*, eco-friendly carpet tiles under the *horizontal recycling* system, and the dearth of large-scale orders in Japan, although we focused our efforts on obtaining orders for carpets related to new construction and remodeling of office buildings, commercial facilities, and hotels. Sales of curtains fell over the last year because sales of *Face*, curtains for medical, welfare, and educational institutions, were sluggish due to a fewer number of projects, although *mode S® Vol. 8* sold steadily. Sales of carpets, rugs and mats for general households declined from the previous year, since consumers continued to be reluctant to spend on such items. Sales of wall coverings grew from the last year due to solid sales of *Runon Fresh Premium* and the mass-production type *Runon Mark II*.

Consequently, the Interior Fittings Segment posted operating income of 124 millions of yen (down 52.7% year-on-year) on net sales of 17,027 millions of yen (down 0.3%).

#### (Automotive Textiles and Traffic Facilities Segment)

In the area of automotive textiles, both sales and operating income increased from the previous year. In Japan, sales of automobiles across the market grew solidly, contributing to a steady rise in sales, especially due to the growth in orders for models we had newly received and new goods in the seat fabric business. Furthermore, the mat business also saw its sales increase since it received orders for materials using *Tango Dantsu*, a high-grade carpet. Consequently, overall sales in Japan grew from the previous year. Overseas, Suminoe Textile of America Corporation, a subsidiary in the U.S., continued to try and improve its balance sheet. Meanwhile, our overseas sales exceeded that of the previous year due to a steady growth in sales of Japanese cars in China and Thailand, and robust sales in the seat fabric business like in Japan.

In the area of traffic facilities, railway vehicle-related sales remained flat from the previous year since we continued receiving orders related to new vehicle production and remodeling and newly received orders for flooring films for signs, despite the fact there were no new large projects. Meanwhile bus-related sales slightly decreased from the previous year, since the production of buses declined due to a reaction to a rise in demand for large buses before the model change and the saturation of demand related to an increase in the number of inbound tourists. Therefore, both sales and operating income remained unchanged from the previous year in traffic facilities as a whole.

Consequently, the Automotive Textiles and Traffic Facilities Segment posted operating income of 1,669 millions of yen (up 10.5% year-on-year) on net sales of 29,501 millions of yen (up 8.2%).

#### (Functional Materials Segment)

In the electric carpets business, sales and operating income decreased from the previous year due to a change in the product mix, although sales volume grew. In the deodorization and filter-related business, sales and operating income increased from the previous year, since deodorizing filters for air purifiers and heating equipment and the *Tispa* series, *Real odor deodorization without disguising with a scent* (a stationary deodorizer for home use) in a redesigned package, sold well. Floor materials for bathrooms also sold steadily. Therefore, the business saw sales and operating income stay in line with the previous year. Sales of civil engineering materials and carpets for aircraft were robust. Thus, the business saw sales and operating income grow from the previous year.

Consequently, the Functional Materials Segment posted operating income of 242 millions of yen (up 54.7% year-on-year) on net sales of 2,592 millions of yen (down 10.8%). The exclusion of Suminoe Nakacho Device Technology Corporation from the scope of consolidation at the end of December 2016 also influenced the segment's results.

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

Since our business results for the second quarter of the consolidated fiscal year under review are almost in line with our plan, there are no modifications to the forecasts for 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)	Q2 of FY2018 (As of November 30, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	7,050	7,208
Notes and accounts receivable-trade	17,866	20,063
Electronically recorded monetary claims - operating	4,719	5,477
Merchandise and finished goods	10,449	11,088
Work in process	1,925	1,624
Raw materials and supplies	4,170	3,834
Other	4,776	3,562
Allowance for doubtful accounts	(23)	(22)
<b>Total current assets</b>	<b>50,934</b>	<b>52,836</b>
Non-current assets		
Property, plant and equipment		
Land	17,604	17,609
Other, net	10,238	9,838
<b>Total property, plant and equipment</b>	<b>27,842</b>	<b>27,448</b>
<b>Intangible assets</b>	<b>1,047</b>	<b>1,028</b>
Investments and other assets		
Investment securities	9,037	9,780
Other	1,535	1,493
Allowance for doubtful accounts	(143)	(146)
<b>Total investments and other assets</b>	<b>10,429</b>	<b>11,127</b>
<b>Total non-current assets</b>	<b>39,319</b>	<b>39,605</b>
<b>Total assets</b>	<b>90,254</b>	<b>92,441</b>

(Unit: millions of yen)

	FY2017 (As of May 31, 2017)	Q2 of FY2018 (As of November 30, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	15,381	14,843
Electronically recorded obligations - operating	3,854	4,388
Short-term loans payable	12,411	12,999
Income taxes payable	462	682
Other	4,109	3,899
Total current liabilities	36,218	36,813
Non-current liabilities		
Bonds payable	500	500
Long-term loans payable	6,035	5,508
Provision for directors' retirement benefit	334	358
Net defined benefit liability	4,048	4,109
Other	5,718	6,078
Total non-current liabilities	16,636	16,555
Total liabilities	52,855	53,368
<b>Net assets</b>		
Shareholders' equity		
Capital stock	9,554	9,554
Capital surplus	2,652	2,652
Retained earnings	10,266	10,875
Treasury shares	(362)	(363)
Total shareholders' equity	22,111	22,718
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,035	3,744
Deferred gains or losses on hedges	(9)	(12)
Revaluation reserve for land	7,797	7,797
Foreign currency translation adjustment	549	652
Remeasurements of defined benefit plans	(198)	(182)
Total accumulated other comprehensive income	11,174	11,998
Non-controlling interests	4,113	4,355
Total net assets	37,398	39,073
Total liabilities and net assets	90,254	92,441

(2) Consolidated quarterly statement of income  
(The second quarter of FY2018)

(Unit: millions of yen)

	Q2 of FY2017 (June 1, 2016 to November 30, 2016)	Q2 of FY2018 (June 1, 2017 to November 30, 2017)
Net sales	47,334	49,195
Cost of sales	37,795	39,247
Gross profit	9,539	9,947
Selling, general and administrative expenses	9,458	8,615
Operating income	80	1,332
Non-operating income		
Interest income	6	3
Dividend income	110	84
Share of profit of entities accounted for using equity method	54	24
Foreign exchange gains	—	23
Real estate rent	42	117
Other	105	105
Total non-operating income	318	357
Non-operating expenses		
Interest expenses	113	130
Foreign exchange losses	30	—
Rent expenses on real estates	14	16
Other	45	29
Total non-operating expenses	203	175
Ordinary income	196	1,514
Extraordinary income		
Gain on sales of non-current assets	52	2
Gain on sales of investment securities	159	667
Total extraordinary income	212	670
Extraordinary loss		
Loss on sales and retirement of non-current assets	126	4
Total extraordinary loss	126	4
Profit before income taxes	282	2,180
Income taxes-current	205	655
Income taxes - deferred	(224)	241
Total income taxes	(18)	896
Profit	300	1,284
Profit attributable to non-controlling interests	277	411
Profit attributable to owners of parent	23	872

## (3) Consolidated quarterly statement of cash flows

	(Unit: millions of yen)	
	Q2 of FY2017 (June 1, 2016 to November 30, 2016)	Q2 of FY2018 (June 1, 2017 to November 30, 2017)
<b>Cash flows from operating activities</b>		
Profit before income taxes	282	2,180
Depreciation	772	846
Increase (decrease) in net defined benefit liability	77	83
Increase (decrease) in provision for directors' retirement benefits	9	23
Increase (decrease) in allowance for doubtful accounts	(10)	1
Interest and dividend income	(116)	(88)
Interest expenses	113	130
Share of loss (profit) of entities accounted for using equity method	(54)	(24)
Loss (gain) on sales and retirement of non-current assets	73	1
Loss (gain) on sales of investment securities	(159)	(667)
Decrease (increase) in notes and accounts receivable - trade	(1,343)	(2,811)
Decrease (increase) in inventories	(725)	76
Increase (decrease) in notes and accounts payable - trade	504	(132)
Decrease (increase) in consumption taxes refund receivable	—	264
Increase (decrease) in accrued consumption taxes	(225)	143
Other	427	679
Subtotal	(377)	705
Interest and dividend income received	115	141
Interest expenses paid	(115)	(131)
Income taxes paid	(826)	(490)
Income taxes refund	1	403
Net cash provided by (used in) operating activities	(1,202)	629
<b>Cash flows from investing activities</b>		
Payments into time deposits	(120)	(120)
Proceeds from withdrawal of time deposits	120	120
Purchase of securities	(1,000)	(1,502)
Proceeds from sales and redemption of securities	1,297	1,504
Purchase of property, plant and equipment	(1,042)	(617)
Proceeds from property, plant and equipment	66	3
Purchase of investment securities	(7)	(8)
Proceeds from sales and redemption of investment securities	155	919
Other	(8)	(64)
Net cash provided by (used in) investing activities	(538)	234
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	556	611
Repayments of long-term loans payable	(1,148)	(585)
Proceeds from issuance of bonds	483	—
Repayments of lease obligations	(409)	(325)
Cash dividends paid	(263)	(264)
Other	(188)	(188)
Net cash provided by (used in) financing activities	(969)	(752)
Effect of exchange rate change on cash and cash equivalents	(108)	47
Net increase (decrease) in cash and cash equivalents	(2,819)	158
Cash and cash equivalents at the beginning of period	7,810	6,930
Cash and cash equivalents at the end of period	4,991	7,088



(4) Major notes on consolidated quarterly financial statements

(Notes on assumption of going concern)

Not applicable

(Notes on significant changes in shareholders' equity)

Not applicable

(Segment information)

I Q2 of FY2017 (June 1, 2016 to November 30, 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	17,086	27,256	2,907	47,250	84	47,334	—	47,334
Inter-segment sales and transfers	289	12	2	303	120	423	(423)	—
Total	17,376	27,268	2,909	47,554	204	47,758	(423)	47,334
Segment income	263	1,510	156	1,930	56	1,986	(1,905)	80

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

2. Adjustment of -1,905 millions of yen in segment income includes eliminations among segments of 2 millions of yen and corporate expenses unallocated to relevant reportable segments of -1,907 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 is adjusted with operating income in consolidated quarterly statement of income.

II Q2 of FY2018 (June 1, 2017 to November 30, 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	17,027	29,501	2,592	49,121	74	49,195	—	49,195
Inter-segment sales and transfers	322	5	1	330	99	429	(429)	—
Total	17,350	29,507	2,594	49,452	173	49,625	(429)	49,195
Segment income	124	1,669	242	2,036	37	2,074	(741)	1,332

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

2. Adjustment of -741 millions of yen in segment income includes eliminations among segments of 14 millions of yen and corporate expenses unallocated to relevant reportable segments of -755 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 is adjusted with operating income in consolidated quarterly statement of income.

(Significant subsequent events)

Share consolidation, change in the number of shares per share unit, and partial amendment of the articles of incorporation  
The Company resolved at the meeting of its Board of Directors held on July 25, 2017 to submit a proposal for common share consolidation, a change in the number of shares per share unit, and partial amendment of the articles of incorporation including a change in the number of shares authorized to be issued to the Company's 128th Ordinary General Meeting of Shareholders to be held on August 30, 2017. The proposal was approved at the Ordinary General Meeting of Shareholders and has become effective from December 1, 2017.

1. Share consolidation and a change in the number of shares per share unit

(1) Purpose of share consolidation and a change in the number of shares per share unit

As announced in the *Action Plan for Consolidating Trading Units*, all domestic Japanese exchanges are proceeding with a plan aimed to consolidate the trading unit for common shares of all domestically listed companies (the number of shares per share unit) into 100 shares by October 2018.

As an enterprise listed on the Tokyo Stock Exchange, the Company respects the intent of the Action Plan and accordingly has changed the number of shares per share unit for its common shares from 1,000 shares to 100 shares. Furthermore, the Company has consolidated its shares so as to maintain the transaction amount per trading unit at the current level after the change in the number of shares per share unit.

(2) Details of share consolidation

(i) Class of shares to be consolidated

Common shares

(ii) Method and ratio of share consolidation

The Company consolidated its common shares at a ratio of 10 shares to 1 share, effective December 1, 2017, based on the number of shares held by shareholders recorded in the final shareholder registry as of November 30, 2017.

(iii) Decrease in the number of shares due to share consolidation

Total number of shares issued before share consolidation (as of November 30, 2017)	76,821,626 shares
Number of shares decreased due to share consolidation	69,139,464 shares
Total number of shares issued after share consolidation	7,682,162 shares

(Note) The number of shares decreased due to share consolidation and total number of shares issued after share consolidation are theoretical values calculated by multiplying the total number of shares issued before share consolidation by the share consolidation ratio.

(3) Treatment of fractional shares of less than one share

In accordance with the relevant provisions of the Companies Act, the Company will collectively sell any fractional shares of less than one share occurring due to the share consolidation and distribute the proceeds to shareholders who hold fractional shares according to their holdings.

(4) Total number of shares authorized to be issued on the effective date

Since the total number of shares issued decreased due to the share consolidation on December 1, 2017, the Company changed the total number of shares authorized to be issued at a ratio of 10 shares to 1 share to normalize the total number of shares authorized to be issued.

	Before change	After change (December 1, 2017)
Total number of shares authorized to be issued	300,000,000 shares	30,000,000 shares

(5) Details of a change in the number of shares per share unit

The Company changed the number of shares per share unit for common shares from 1,000 shares to 100 shares on the effective date of the share consolidation (December 1, 2017).

2. Schedule of share consolidation and a change in the number of shares per share unit

Date of resolution by the Board of Directors	July 25, 2017
Date of resolution by the Ordinary General Meeting of Shareholders	August 30, 2017
Effective date of share consolidation	December 1, 2017
Effective date of a change in the number of shares per share unit	December 1, 2017

(Note) December 1, 2017 is the *effective date of share consolidation and a change in the number of shares per share unit.*

However, due to transfer procedures following the share transactions, the change of trading unit of the Company's share on the Tokyo Stock Exchange from 1,000 shares to 100 shares took effect on November 28, 2017 and accordingly, the share price of the Company reflected the effect of the share consolidation from that date.

### 3. Impact on per share information

The impact on per share information is described in the relevant sections.