



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

April 13, 2018

Listed company name Suminoe Textile Co., Ltd. Listed on the Tokyo Stock Exchange
Code number 3501 URL: <http://suminoe.jp/>
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Scheduled date of filing of quarterly report: April 13, 2018 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 3rd Quarter of FY2018 (June 1, 2017 to February 28, 2018)

(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	%
Q3 of FY ending May 31, 2018	73,333	3.2	1,796	392.0	1,965	306.4	769	—
Q3 of FY ended May 31, 2017	71,068	(2.3)	365	(80.0)	483	(76.3)	(113)	—

(Note) Comprehensive income Q3 of FY ending May 31, 2018: 2,258 millions of yen (84.5%)
Q3 of FY ended May 31, 2017: 1,224 millions of yen (—%)

	Profit per share Basic	Profit per share Diluted
	Yen	Yen
Q3 of FY ending May 31, 2018	101.98	—
Q3 of FY ended May 31, 2017	(15.04)	—

*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	%
Q3 of FY ending May 31, 2018	93,184	38,978	36.8
FY2017	90,254	37,398	36.9

(Reference) Shareholders' equity Q3 of FY ending May 31, 2018: 34,279 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)

Q3 of FY2018	7,682,162 shares	FY2017	7,682,162 shares
Q3 of FY2018	139,282 shares	FY2017	138,461 shares
Q3 of FY2018	7,543,445 shares	Q3 of FY2017	7,544,216 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 third quarter of the fiscal year under review

(1) Explanation of business results

During the third quarter of the consolidated fiscal year under review, the Japanese economy continued recovering moderately against the backdrop of an improvement in corporate earnings and a robust employment environment. Meanwhile, the global economy, notably the U.S. economy, was on a recovery track, but uncertainty about the prospects for the economy increased due to the progress of the yen's appreciation in addition to concerns over the Trump administration's policies and heightened geopolitical risks.

Under these circumstances, our consolidated net sales for the third quarter of the consolidated fiscal year under review, the first year of our 5th three-year medium-term management plan "2020", were 73,333 millions of yen (up 3.2% year-on-year), with operating income of 1,796 millions of yen (up 392.0%), ordinary income of 1,965 millions of yen (up 306.4%), and profit attributable to owners of parent of 769 millions of yen (loss attributable to owners of parent of 113 millions of yen in the same period of the previous year).

The performance by segment is as described below.

(Interior Fittings Segment)

Sales of commercial-use carpets declined from the previous year despite steady growth in the export of *ECOS®*, eco-friendly carpet tiles under the *horizontal recycling* system. The decrease was due to the dearth of large-scale projects in Japan, although we concentrated our energies on obtaining orders for carpets related to new construction and remodeling of office buildings, commercial facilities, and hotels. Sales of curtains fell over the previous 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 fell from the previous year, since consumers continued to be reluctant to spend on such items. Sales of wall coverings slightly declined from the previous year due to poor sales of *Runon Home*, although sales of *Runon Fresh Premium* and the mass-production type *Runon Mark II* grew steadily.

Consequently, the Interior Fittings Segment posted operating income of 48 millions of yen (down 83.2% year-on-year) on net sales of 25,349 millions of yen (down 2.1%).

(Automotive Textiles and Traffic Facilities Segment)

In the area of automotive textiles, sales increased from the previous year in Japan due to the steady growth of sales in the carpet, mat, and seat fabric businesses. Particularly, new fabric mixtures sold well in the seat fabric business. Overseas, Suminoe Textile of America Corporation, a subsidiary in the U.S., continued to focus its efforts on improving its balance sheet. Meanwhile, our overseas sales rose from the previous year due to robust sales in the seat fabric business in Thailand as well as in China where sales of Japanese cars reached a record high in terms of the number of units sold. In automotive textiles as a whole, both sales and operating income grew from the previous year. In the area of traffic facilities, railway vehicle-related sales remained unchanged from the previous year since orders related to luxury trains declined from their peak, despite a recovery in repair demand from the Japan Railways (JR) Group and a steady growth in orders for new railway vehicles. Meanwhile, bus-related sales decreased from the previous year, since the production of new buses declined due to a reaction to a rise in demand before model change related to the tightening of safety regulations and a change in the travel pattern of inbound tourists. Furthermore, airplane-related sales increased due to the adoption of new materials as well as seat covering materials. In traffic facilities as a whole, sales fell from the previous year, but operating income remained flat from the previous year. Consequently, the Automotive Textiles and Traffic Facilities Segment posted operating income of 2,574 millions of yen (up 16.8% year-on-year) on net sales of 44,748 millions of yen (up 7.8%).

(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, although sales of deodorizing filters for refrigerators were sluggish. Although floor materials for bathrooms sold steadily, the business saw sales and operating income slightly decreased from the previous year. Sales of civil engineering materials and *Sumitron®*, polyester filament for dust mats, were strong. Thus, the business saw sales and operating income grow from the previous year.

Consequently, the Functional Materials Segment posted operating income of 203 millions of yen (up 20.4% year-on-year) on net sales of 3,131 millions of yen (down 11.8%). 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 third 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)	Q3 of FY2018 (As of February 28, 2018)
Assets		
Current assets		
Cash and deposits	7,050	7,937
Notes and accounts receivable-trade	17,866	19,006
Electronically recorded monetary claims - operating	4,719	5,808
Merchandise and finished goods	10,449	11,144
Work in process	1,925	1,954
Raw materials and supplies	4,170	3,933
Other	4,776	3,885
Allowance for doubtful accounts	(23)	(25)
Total current assets	50,934	53,646
Non-current assets		
Property, plant and equipment		
Land	17,604	17,613
Other, net	10,238	9,946
Total property, plant and equipment	27,842	27,560
Intangible assets	1,047	993
Investments and other assets		
Investment securities	9,037	9,681
Other	1,535	1,448
Allowance for doubtful accounts	(143)	(145)
Total investments and other assets	10,429	10,984
Total non-current assets	39,319	39,537
Total assets	90,254	93,184

(Unit: millions of yen)

	FY2017 (As of May 31, 2017)	Q3 of FY2018 (As of February 28, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,381	15,813
Electronically recorded obligations - operating	3,854	4,336
Short-term loans payable	12,411	13,562
Income taxes payable	462	559
Other	4,109	3,391
Total current liabilities	36,218	37,664
Non-current liabilities		
Bonds payable	500	500
Long-term loans payable	6,035	5,582
Provision for directors' retirement benefit	334	370
Net defined benefit liability	4,048	4,096
Other	5,718	5,992
Total non-current liabilities	16,636	16,542
Total liabilities	52,855	54,206
Net assets		
Shareholders' equity		
Capital stock	9,554	9,554
Capital surplus	2,652	2,652
Retained earnings	10,266	10,508
Treasury shares	(362)	(364)
Total shareholders' equity	22,111	22,349
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,035	3,649
Deferred gains or losses on hedges	(9)	(37)
Revaluation reserve for land	7,797	7,797
Foreign currency translation adjustment	549	695
Remeasurements of defined benefit plans	(198)	(174)
Total accumulated other comprehensive income	11,174	11,930
Non-controlling interests	4,113	4,698
Total net assets	37,398	38,978
Total liabilities and net assets	90,254	93,184

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

(Unit: millions of yen)

	Q3 of FY2017 (June 1, 2016 to February 28, 2017)	Q3 of FY2018 (June 1, 2017 to February 28, 2018)
Net sales	71,068	73,333
Cost of sales	56,915	58,568
Gross profit	14,152	14,764
Selling, general and administrative expenses	13,786	12,967
Operating income	365	1,796
Non-operating income		
Interest income	8	7
Dividend income	145	121
Share of profit of entities accounted for using equity method	62	53
Real estate rent	55	175
Other	128	132
Total non-operating income	399	489
Non-operating expenses		
Interest expenses	175	200
Foreign exchange losses	20	19
Rent expenses on real estates	22	24
Other	62	77
Total non-operating expenses	281	321
Ordinary income	483	1,965
Extraordinary income		
Gain on sales of non-current assets	54	3
Gain on sales of investment securities	159	667
Total extraordinary income	213	671
Extraordinary loss		
Loss on sales and retirement of non-current assets	226	6
Loss incurred from the dissolution of employees' pension fund	21	—
Total extraordinary loss	248	6
Profit before income taxes	449	2,630
Income taxes-current	348	886
Income taxes - deferred	(208)	319
Total income taxes	140	1,206
Profit	309	1,424
Profit attributable to non-controlling interests	422	654
Profit (loss) attributable to owners of parent	(113)	769

(3) 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 Q3 of FY2017 (June 1, 2016 to February 28, 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	25,905	41,493	3,550	70,950	117	71,068	—	71,068
Inter-segment sales and transfers	430	15	3	450	189	639	(639)	—
Total	26,336	41,509	3,554	71,400	307	71,707	(639)	71,068
Segment income	290	2,203	169	2,662	70	2,733	(2,368)	365

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

2. Adjustment of -2,368 millions of yen in segment income includes eliminations among segments of 20 millions of yen and corporate expenses unallocated to relevant reportable segments of -2,389 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 Q3 of FY2018 (June 1, 2017 to February 28, 2018)

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	25,349	44,748	3,131	73,229	103	73,333	—	73,333
Inter-segment sales and transfers	489	7	3	499	138	638	(638)	—
Total	25,838	44,756	3,134	73,729	242	73,971	(638)	73,333
Segment income	48	2,574	203	2,826	49	2,876	(1,079)	1,796

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

2. Adjustment of -1,079 millions of yen in segment income includes eliminations among segments of 21 millions of yen and corporate expenses unallocated to relevant reportable segments of -1,100 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.