



Consolidated Financial Results for the First Quarter of Fiscal Year 2019 (Japanese GAAP)

October 12, 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: October 15, 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 1st Quarter of FY2019 (June 1, 2018 to August 31, 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	%
Q1 of FY ending May 31, 2019	23,058	(0.4)	213	(38.0)	258	(37.5)	(137)	—
Q1 of FY ended May 31, 2018	23,143	3.4	345	—	413	—	(1)	—

(Note) Comprehensive income Q1 of FY ending May 31, 2019: (375) millions of yen (— %)

Q1 of FY ended May 31, 2018: 542 millions of yen (— %)

	Profit per share Basic	Profit per share Diluted
	Yen	Yen
Q1 of FY ending May 31, 2019	(18.19)	—
Q1 of FY ended May 31, 2018	(0.22)	—

*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	%
Q1 of FY ending May 31, 2019	88,795	37,782	37.5
FY2018	92,181	38,541	36.9

(Reference) Shareholders' equity Q1 of FY ending May 31, 2019: 33,310 millions of yen FY2018: 34,057 millions of yen

*The Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the beginning of the first quarter of the current fiscal year. Accordingly, the Consolidated Financial Position for FY2018 is the value that was revised retrospectively after the application.

2. Dividend Information

	Dividend per share				
	First quarter	Second quarter	Third quarter	End of the year	Annual
	Yen	Yen	Yen	Yen	Yen
FY2018	—	3.50	—	35.00	—
FY2019	—	—	—	—	—
FY2019 (Forecast)	—	35.00	—	35.00	70.00

(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 year-

end dividend per share for the FY2018 is the value after reflecting the impact of the share consolidation, while the annual dividend per share is omitted. Meanwhile, the year-end dividend per share and the annual dividend per share for the FY2018, calculated without reflecting the impact of the share consolidation, are 3.50 yen and 7.00 yen, respectively.

3. Forecast of Consolidated Financial Results for FY2019 (June 1, 2018 to May 31, 2019)

(% 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
Interim	48,500	(1.4)	1,500	12.5	1,600	5.6	850	(2.6)	114.41
Full year	97,500	(0.4)	3,100	37.9	3,350	42.0	1,900	75.3	255.75

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

*The Company resolved to repurchase its treasury shares at a meeting of its Board of Directors held on September 10, 2018.

Accordingly, the forecast for "Profit per share Basic" is the value calculated after considering the impact of the repurchase of treasury shares. For details, please refer to "Notice Regarding the Repurchase of Treasury Shares through the Tokyo Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading System (ToSTNeT-3)" disclosed on September 18, 2018 and "Notice Regarding the Results of the Repurchase of Treasury Shares through the Tokyo Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) and the Completion of the Repurchase" disclosed on September 19, 2018.

*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: Yes
 - (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 FY2019	7,682,162 shares	FY2018	7,682,162 shares
Q1 of FY2019	139,464 shares	FY2018	139,368 shares
Q1 of FY2019	7,542,747 shares	Q1 of FY2018	7,543,626 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 by a certified public accountant or an accounting firm.

(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.

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

The Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the beginning of the first quarter of the current fiscal year. Regarding the explanation on Consolidated Financial Position, the Company compared and analyzed financial positions between the first quarter of FY ending May 31, 2019 and FY2018 by using the value that was retrospectively revised after the application.

(1) Explanation of business results

During the first quarter of the consolidated fiscal year under review, the outlook for the Japanese economy became uncertain due to natural disasters that occurred one after another in Japan and rising concerns over trade frictions between the U.S. and China, although corporate earnings and employment and income environment continued to be robust.

Under these circumstances, our consolidated net sales for the first quarter of the consolidated fiscal year under review, the second year of our 5th three-year medium-term management plan “2020”, were 23,058 millions of yen (down 0.4% year-on-year), with operating income of 213 millions of yen (down 38.0%), ordinary income of 258 millions of yen (down 37.5%), and loss attributable to owners of parent of 137 millions of yen (loss attributable to owners of parent of 1 million 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, although orders for carpets related to new construction and remodeling of hotels grew, supported by the effect of increase in the number of inbound tourists to Japan. The decrease was due to the dearth of large-scale projects in Japan using *ECOS®*, eco-friendly carpet tiles under the *horizontal recycling* system. Sales of curtains fell over the previous year because sales of *mode S® Vol. 8*, curtains for general consumers, were sluggish, although sales of *Face*, contract curtains for medical, welfare, and educational institutions, grew steadily due to large-scale projects. Sales of carpets, rugs and mats for general households fell from the previous year, since consumers remained reluctant to spend on such items. Sales of wall coverings decreased from the previous year due to sluggish sales of the mass-production type *Runon Mark II*, although sales of *Runon Home*, wall coverings for new homes and home improvement, and *Runon Reform Pro*, functional wall coverings.

Consequently, the Interior Fittings Segment posted operating loss of 294 millions of yen (operating loss of 156 millions of yen in the same period of the previous year) on net sales of 7,783 millions of yen (down 3.6% year-on-year).

(Automotive Textiles and Traffic Facilities Segment)

In automotive textiles as a whole, both sales and operating income grew from the previous year. In Japan, sales and operating income decreased from the previous year. This was because sales of new fabric mixtures that had steadily grown fell due to the “Heavy Rain Event of July 2018”; and orders for interior materials of new models received by our Group reached a plateau. Meanwhile, overseas, business was steady in China due to an increase in the production of new automobiles by Japanese car manufacturers; in Thailand, business was robust owing to the commencement of operations by a newly consolidated subsidiary in FY2018; and in North America, Suminoe Textile of America Corporation, a subsidiary in the U.S., showed a sign of improvement in profitability although the market of sedans where Japanese manufacturers have higher shares tended to shrink, and business in other strongholds also grew steadily. Consequently, in the overseas business as a whole, sales and operating income grew from the previous year. In traffic facilities as a whole, both sales and operating income fell from the previous year. Railway vehicle-related sales remained flat from the previous year due to an increase in both orders related to remodeling and demand for non-textile products, despite the lack of large orders from the Japan Railways (JR) Group and private railway companies. Bus-related sales decreased from the previous year, since the production of new large sightseeing buses and demand for interior materials for existing buses continued to decline. Meanwhile, airplane-related sales fell from the previous year, since demand reached saturation point.

Consequently, the Automotive Textiles and Traffic Facilities Segment posted operating income of 822 millions of yen (up 3.0% year-on-year) on net sales of 14,524 millions of yen (up 1.3%).

(Functional Materials Segment)

In the deodorization and filter-related business, sales and operating income increased from the previous year, since deodorizing filters for heating equipment sold well and new orders also grew steadily. Sales of electric carpets, floor materials for bathrooms, and roofing materials for buildings were robust. As sales of mats for school children and *Sumitron®*, polyester filament for dust mats, failed to reach the previous year’s level, both businesses saw sales and

operating income falling from the previous year.

Consequently, the Functional Materials Segment posted operating income of 9 millions of yen (down 56.8% year-on-year) on net sales of 716 millions of yen (up 2.6%).

(2) Explanation of financial position

Total assets at the end of the first quarter of the consolidated fiscal year under review amounted to 88,795 millions of yen, down 3,386 millions of yen from the end of the previous fiscal year, due to a decrease in cash and deposits.

Liabilities stood at 51,012 millions of yen, down 2,627 millions of yen, due to a decrease in short-term loans payable.

Net assets totaled 37,782 millions of yen, down 758 millions of yen, due to a decline in retained earnings.

(3) 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, 2019 announced on July 13, 2018.

2. Consolidated quarterly financial statements and major notes

(1) Consolidated quarterly balance sheet

(Unit: millions of yen)

	FY2018 (As of May 31, 2018)	Q1 of FY2019 (As of August 31, 2018)
Assets		
Current assets		
Cash and deposits	9,531	5,709
Notes and accounts receivable-trade	17,449	17,873
Electronically recorded monetary claims - operating	5,607	5,370
Merchandise and finished goods	11,077	11,472
Work in process	1,788	1,803
Raw materials and supplies	3,768	4,077
Income taxes receivable	125	253
Others	3,439	3,000
Allowance for doubtful accounts	(17)	(16)
Total current assets	52,770	49,542
Non-current assets		
Property, plant and equipment		
Land	17,600	17,604
Other, net	9,537	9,611
Total property, plant and equipment	27,138	27,215
Intangible assets	1,085	1,112
Investments and other assets		
Investment securities	8,984	8,610
Deferred tax assets	1,136	1,213
Other	1,215	1,245
Allowance for doubtful accounts	(148)	(145)
Total investments and other assets	11,187	10,924
Total non-current assets	39,411	39,252
Total assets	92,181	88,795

(Unit: millions of yen)

	FY2018 (As of May 31, 2018)	Q1 of FY2019 (As of August 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,571	14,756
Electronically recorded obligations - operating	4,783	4,399
Short-term loans payable	13,588	12,056
Income taxes payable	550	225
Provision for loss on litigation	472	530
Other	3,906	3,651
Total current liabilities	37,872	35,620
Non-current liabilities		
Bonds payable	500	500
Long-term loans payable	5,308	5,018
Deferred tax liabilities	547	555
Provision for directors' retirement benefit	382	88
Net defined benefit liability	4,065	4,038
Other	4,963	5,190
Total non-current liabilities	15,767	15,391
Total liabilities	53,639	51,012
Net assets		
Shareholders' equity		
Capital stock	9,554	9,554
Capital surplus	2,652	2,652
Retained earnings	10,822	10,421
Treasury shares	(364)	(365)
Total shareholders' equity	22,664	22,262
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,154	2,860
Deferred gains or losses on hedges	11	14
Revaluation reserve for land	7,797	7,797
Foreign currency translation adjustment	600	538
Remeasurements of defined benefit plans	(170)	(162)
Total accumulated other comprehensive income	11,393	11,048
Non-controlling interests	4,484	4,472
Total net assets	38,541	37,782
Total liabilities and net assets	92,181	88,795

(2) Consolidated quarterly statement of income and comprehensive income

Consolidated quarterly statement of income

(The first quarter of FY2019)

(Unit: millions of yen)

	Q1 of FY2018 (June 1, 2017 to August 31, 2017)	Q1 of FY2019 (June 1, 2018 to August 31, 2018)
Net sales	23,143	23,058
Cost of sales	18,524	18,537
Gross profit	4,618	4,520
Selling, general and administrative expenses	4,273	4,306
Operating income	345	213
Non-operating income		
Interest income	2	3
Dividend income	40	42
Share of profit of entities accounted for using equity method	3	7
Foreign exchange gains	—	12
Real estate rent	58	57
Dividend income of insurance	35	37
Other	31	43
Total non-operating income	172	203
Non-operating expenses		
Interest expenses	62	84
Foreign exchange losses	10	—
Rent expenses on real estates	9	8
Provision for loss on litigation	—	38
Other	21	28
Total non-operating expenses	104	159
Ordinary income	413	258
Extraordinary income		
Gain on sales of non-current assets	1	6
Gain on sales of investment securities	5	—
Total extraordinary income	6	6
Extraordinary loss		
Loss on sales and retirement of non-current assets	1	5
Total extraordinary loss	1	5
Profit before income taxes	418	260
Income taxes - current	248	190
Income taxes - deferred	(5)	49
Total income taxes	243	239
Profit	174	20
Profit attributable to non-controlling interests	176	158
Loss attributable to owners of parent	(1)	(137)

Consolidated quarterly statements of comprehensive income
(The first quarter of FY2019)

(Unit: millions of yen)

	Q1 of FY2018 (June 1, 2017 to August 31, 2017)	Q1 of FY2019 (June 1, 2018 to August 31, 2018)
Profit	174	20
Other comprehensive income		
Valuation difference on available-for-sale securities	326	(294)
Deferred gains or losses on hedges	(1)	17
Foreign currency translation adjustment	41	(113)
Remeasurements of defined benefit plans, net of tax	8	8
Share of other comprehensive income of entities accounted for using equity method	(5)	(13)
Total other comprehensive income	368	(396)
Comprehensive income	542	(375)
Comprehensive income attributable to:		
Owners of parent	349	(482)
Non-controlling interests	193	106

(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

(Changes in accounting policies)

(Application of Guidance on Accounting Standard for Tax Effect Accounting)

The Company has applied "Guidance on Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) from the beginning of the first quarter of the current fiscal year. Accordingly, the treatment of taxable temporary difference related to equity investments in subsidiaries in non-consolidated financial statements has been reviewed. The impact of this change has been negligible so it has not been applied retroactively.

(Additional information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the beginning of the first quarter of the current fiscal year. Accordingly, deferred tax assets have been classified as investment and other assets, and deferred tax liabilities have been classified as non-current liabilities.

(Segment information)

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

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.

II Q1 of FY2019 (June 1, 2018 to August 31, 2018)

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	7,783	14,524	716	23,024	33	23,058	—	23,058
Inter-segment sales and transfers	175	0	0	176	47	224	(224)	—
Total	7,958	14,525	717	23,201	80	23,282	(224)	23,058
Segment income (loss)	(294)	822	9	537	21	559	(345)	213

- (Note) 1. *Other* represents businesses that are not included in reportable segments, such as the physical property and performance inspection businesses.
2. Adjustment of -345 millions of yen in segment income (loss) includes eliminations among segments of 8 millions of yen and corporate expenses unallocated to relevant reportable segments of -353 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.

(Significant subsequent events)

Repurchase of treasury shares

The Company resolved to repurchase its treasury shares at a meeting of its Board of Directors held on September 10, 2018, pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act, and repurchased its treasury shares.

1 Details of the resolution on repurchase of treasury shares approved at the Board of Directors

(1) Reason of repurchase

The Company aims to responsively and adaptively implement its capital policy to cope with changes in business environment and to increase its shareholders' value.

(2) Class of shares to be repurchased Common stock

(3) Total number of shares to be repurchased 500,000 shares (upper limit)
(Percentage to number of issued shares (excluding treasury stock) 6.6%)

(4) Aggregate repurchased amount 1,600,000,000 yen (upper limit)

(5) Period of repurchase September 11, 2018 to November 9, 2018

(6) Method of repurchase Open market purchase on the Tokyo Stock Exchange including the Tokyo Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading System (ToSTNeT-3)

2 Results of the repurchase of treasury shares conducted on September 19, 2018 pursuant to the resolution approved at the Board of Directors mentioned above

(1) Total number of shares repurchased 424,800 shares

(2) Aggregate repurchased amount 1,361,484,000 yen

3 Aggregate number of treasury shares repurchased by September 19, 2018 pursuant to the resolution approved at the Board of Directors mentioned above

(1) Total number of shares repurchased 454,400 shares

(2) Aggregate repurchased amount 1,453,688,500 yen

The repurchase of treasury shares pursuant to the resolution was completed on September 19, 2018.