



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

January 11, 2019

Listed company name Suminoe Textile Co., Ltd. Listed on the Tokyo Stock Exchange
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Scheduled date of filing of quarterly report: January 11, 2019 Scheduled date of dividend payment: February 12, 2019
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 FY2019 (June 1, 2018 to November 30, 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	%
Q2 of FY ending May 31, 2019	49,309	0.2	1,351	1.4	1,350	(10.9)	493	(43.4)
Q2 of FY ended May 31, 2018	49,195	3.9	1,332	—	1,514	672.8	872	—

(Note) Comprehensive income Q2 of FY ending May 31, 2019: 228 millions of yen ((89.4) %)
Q2 of FY ended May 31, 2018: 2,160 millions of yen (— %)

	Profit per share Basic	Profit per share Diluted
	Yen	Yen
Q2 of FY ending May 31, 2019	67.20	—
Q2 of FY ended May 31, 2018	115.68	—

*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, 2019	89,324	36,781	36.1
FY2018	92,181	38,541	36.9

(Reference) Shareholders' equity Q2 of FY ending May 31, 2019: 32,241 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	—	35.00	—	—	—
FY2019 (Forecast)	—	—	—	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
Full year	97,500	(0.4)	3,100	37.9	3,350	42.0	1,900	75.3	258.58

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

*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)

Q2 of FY2019	7,682,162 shares	FY2018	7,682,162 shares
Q2 of FY2019	593,970 shares	FY2018	139,368 shares
Q2 of FY2019	7,347,963 shares	Q2 of FY2018	7,543,554 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 second 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 second 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 second quarter of the consolidated fiscal year under review, the Japanese economy grew steadily, supported by robust corporate earnings and employment and income environment, although there were some negative impacts of natural disasters in Japan. The overseas economy, mainly the U.S., continued to be on a trend toward recovery. However, concerns over the outlook of the global economy rose due to trade frictions between the U.S. and China. Under these circumstances, our consolidated net sales for the second quarter of the consolidated fiscal year under review, the second year of our 5th three-year medium-term management plan “2020,” were 49,309 millions of yen (up 0.2% year-on-year), with operating income of 1,351 millions of yen (up 1.4%), and ordinary income of 1,350 millions of yen (down 10.9%). Meanwhile, profit attributable to owners of parent was 493 millions of yen (down 43.4%), since there was no gain on sales of investment securities that we had posted in the second quarter of the previous fiscal year. The performance by segment is as described below.

(Interior Fittings Segment)

In the commercial-use carpets business, orders for carpets related to new construction and remodeling of hotels and commercial facilities grew, supported by the effect of increase in the number of inbound tourists to Japan. Meanwhile sales of *ECOS®*, eco-friendly carpet tiles under the *horizontal recycling* system, increased from the previous year in Japan, due to large-scale projects, but their exports were delayed, since we had difficulty in arranging for containers due to typhoons. Consequently, sales of commercial-use carpets declined from the previous year. Sales of carpets, rugs and mats for general households fell from the previous year, since the market remained weak. In the curtain business, sales of *Face*, contract curtains for medical, welfare, and educational institutions, grew steadily due to large-scale projects. However, sales of curtains for general households were sluggish. As a result, sales of curtains fell over the previous year. 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, were robust.

Consequently, the Interior Fittings Segment posted operating loss of 29 millions of yen (operating income of 124 millions of yen in the same period of the previous year) on net sales of 16,631 millions of yen (down 2.3% year-on-year).

(Automotive Textiles and Traffic Facilities Segment)

In the automotive textiles business 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 we transferred a sales base of new fabric mixtures to overseas in addition to the impact of *the Heavy Rain Event of July 2018*. Meanwhile, overseas, sales and operating income increased from the previous year. Amid concerns over the impact of the trade friction between the U.S. and China, sales grew steadily in Asian countries, such as China, where Japanese car manufacturers have expanded their market share and Thailand, where the number of automobiles produced was on a track to recovery. In North America, we saw profitability of Suminoe Textile of America Corporation, a subsidiary in the U.S., improve, while sales grew in Mexico.

In the traffic facilities business as a whole, both sales and operating income fell from the previous year. Railway vehicle-related sales remained flat from the previous year despite a steady increase in orders for interior materials related to the production of new trains and remodeling of existing trains from the Japan Railways (JR) Group and private railway companies. Bus-related sales decreased from the previous year, since the production of new buses and demand for interior materials for existing buses continued to be sluggish.

Consequently, the Automotive Textiles and Traffic Facilities Segment posted operating income of 1,851 millions of yen (up 10.9% year-on-year) on net sales of 29,845 millions of yen (up 1.2%).

(Functional Materials Segment)

In the deodorization and filter-related business, sales and operating income increased from the previous year, since we obtained new orders and deodorizing filters for heating equipment sold well. In the electric carpet business, sales increased but operating income decreased from the previous year. This was because production cost rose despite an increase in orders. Sales of roofing materials for buildings and water shielding sheets for civil engineering works were robust. As sales of *Sumitron®*, polyester filament for dust mats, and floor materials for bathrooms failed to reach the previous year’s level, both businesses saw a fall in sales and operating income from the previous year.

Consequently, the Functional Materials Segment posted operating income of 195 millions of yen (down 19.1% year-on-year) on net sales of 2,760 millions of yen (up 6.5%).

(2) Explanation of financial position

(i) Financial position

Total assets at the end of the second quarter of the consolidated fiscal year under review amounted to 89,324 millions of yen, down 2,857 millions of yen from the end of the previous fiscal year, due to a decrease in cash and deposits. Liabilities stood at 52,542 millions of yen, down 1,097 millions of yen, due to a decrease in long-term loans payable. Net assets totaled 36,781 millions of yen, down 1,760 millions of yen, due to the acquisition of treasury shares.

(ii) Cash flows

Cash and cash equivalents at the end of second quarter of the consolidated fiscal year amounted to 4,725 millions of yen, down 4,685 millions of yen from the end of the previous fiscal year. A summary of the cash flow situation is provided as follows:

(Cash flows from operating activities)

Net cash used in operating activities amounted to 350 millions of yen (629 millions of yen provided in the same period of the previous year) due to an increase in notes and accounts receivable-trade.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 1,163 millions of yen (234 millions of yen provided in the same period of the previous year) due to purchase of property, plant, and equipment.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 3,152 millions of yen (752 millions of yen used in the same period of the previous year) due to the acquisition of treasury shares.

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

There are no modifications to the forecast for 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)	Q2 of FY2019 (As of November 30, 2018)
Assets		
Current assets		
Cash and deposits	9,531	4,851
Notes and accounts receivable-trade	17,449	19,725
Electronically recorded monetary claims - operating	5,607	5,687
Merchandise and finished goods	11,077	10,819
Work in process	1,788	1,885
Raw materials and supplies	3,768	4,081
Income taxes receivable	125	109
Others	3,439	2,854
Allowance for doubtful accounts	(17)	(19)
Total current assets	52,770	49,995
Non-current assets		
Property, plant and equipment		
Land	17,600	17,616
Other, net	9,537	9,732
Total property, plant and equipment	27,138	27,348
Intangible assets	1,085	1,237
Investments and other assets		
Investment securities	8,984	8,346
Deferred tax assets	1,136	1,363
Other	1,215	1,181
Allowance for doubtful accounts	(148)	(148)
Total investments and other assets	11,187	10,742
Total non-current assets	39,411	39,328
Total assets	92,181	89,324

(Unit: millions of yen)

	FY2018 (As of May 31, 2018)	Q2 of FY2019 (As of November 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,571	15,021
Electronically recorded obligations - operating	4,783	4,399
Short-term loans payable	13,588	13,652
Income taxes payable	550	379
Provision for loss on litigation	472	—
Other	3,906	3,991
Total current liabilities	37,872	37,444
Non-current liabilities		
Bonds payable	500	500
Long-term loans payable	5,308	4,796
Deferred tax liabilities	547	562
Provision for directors' retirement benefit	382	90
Net defined benefit liability	4,065	4,046
Other	4,963	5,101
Total non-current liabilities	15,767	15,097
Total liabilities	53,639	52,542
Net assets		
Shareholders' equity		
Capital stock	9,554	9,554
Capital surplus	2,652	2,652
Retained earnings	10,822	11,052
Treasury shares	(364)	(1,819)
Total shareholders' equity	22,664	21,439
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,154	2,528
Deferred gains or losses on hedges	11	(2)
Revaluation reserve for land	7,797	7,797
Foreign currency translation adjustment	600	633
Remeasurements of defined benefit plans	(170)	(154)
Total accumulated other comprehensive income	11,393	10,802
Non-controlling interests	4,484	4,539
Total net assets	38,541	36,781
Total liabilities and net assets	92,181	89,324

(2) Consolidated quarterly statement of income and comprehensive income

Consolidated quarterly statement of income

(The second quarter of FY2019)

(Unit: millions of yen)

	Q2 of FY2018 (June 1, 2017 to November 30, 2017)	Q2 of FY2019 (June 1, 2018 to November 30, 2018)
Net sales	49,195	49,309
Cost of sales	39,247	39,246
Gross profit	9,947	10,062
Selling, general and administrative expenses	8,615	8,710
Operating income	1,332	1,351
Non-operating income		
Interest income	3	5
Dividend income	84	84
Share of profit of entities accounted for using equity method	24	—
Foreign exchange gains	23	—
Real estate rent	117	118
Other	105	111
Total non-operating income	357	320
Non-operating expenses		
Interest expenses	130	165
Share of loss of entities accounted for using equity method	—	31
Foreign exchange losses	—	18
Rent expenses on real estates	16	16
Provision for loss on litigation	—	38
Other	29	52
Total non-operating expenses	175	321
Ordinary income	1,514	1,350
Extraordinary income		
Gain on sales of non-current assets	2	11
Gain on sales of investment securities	667	—
Total extraordinary income	670	11
Extraordinary loss		
Loss on sales and retirement of non-current assets	4	14
Total extraordinary loss	4	14
Profit before income taxes	2,180	1,347
Income taxes - current	655	505
Income taxes - deferred	241	8
Total income taxes	896	513
Profit	1,284	833
Profit attributable to non-controlling interests	411	339
Profit attributable to owners of parent	872	493

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

(Unit: millions of yen)

	Q2 of FY2018 (June 1, 2017 to November 30, 2017)	Q2 of FY2019 (June 1, 2018 to November 30, 2018)
Profit	1,284	833
Other comprehensive income		
Valuation difference on available-for-sale securities	708	(626)
Deferred gains or losses on hedges	2	13
Foreign currency translation adjustment	153	19
Remeasurements of defined benefit plans, net of tax	16	16
Share of other comprehensive income of entities accounted for using equity method	(5)	(27)
Total other comprehensive income	875	(605)
Comprehensive income	2,160	228
Comprehensive income attributable to:		
Owners of parent	1,696	(97)
Non-controlling interests	463	326

(3) Consolidated quarterly statement of cash flows

(Unit: millions of yen)

	Q2 of FY2018 (June 1, 2017 to November 30, 2017)	Q2 of FY2019 (June 1, 2018 to November 30, 2018)
Cash flows from operating activities		
Profit before income taxes	2,180	1,347
Depreciation	846	877
Increase (decrease) in net defined benefit liability	83	2
Increase (decrease) in provision for directors' retirement benefits	23	(291)
Increase (decrease) in allowance for doubtful accounts	1	2
Increase (decrease) in provision for loss on litigation	—	38
Interest and dividend income	(88)	(90)
Interest expenses	130	165
Share of loss (profit) of entities accounted for using equity method	(24)	31
Loss (gain) on sales and retirement of non-current assets	1	2
Loss (gain) on sales of investment securities	(667)	—
Decrease (increase) in notes and accounts receivable-trade	(2,811)	(2,321)
Decrease (increase) in inventories	76	13
Increase (decrease) in notes and accounts payable-trade	(132)	70
Decrease (increase) in consumption taxes refund receivable	264	19
Increase (decrease) in accrued consumption taxes	143	(89)
Decrease (increase) in other current assets	501	554
Increase (decrease) in other current liabilities	(50)	162
Other	228	374
Subtotal	705	869
Interest and dividend income received	141	159
Interest expenses paid	(131)	(165)
Payments for loss on litigation	—	(531)
Income taxes paid	(490)	(778)
Income taxes refund	403	96
Net cash provided by (used in) operating activities	629	(350)
Cash flows from investing activities		
Payments into time deposits	(120)	(126)
Proceeds from withdrawal of time deposits	120	120
Purchase of securities	(1,502)	(11)
Proceeds from sales and redemption of securities	1,504	14
Purchase of property, plant and equipment	(617)	(653)
Proceeds from sales of property, plant and equipment	3	10
Purchase of intangible assets	(62)	(187)
Purchase of investment securities	(8)	(331)
Proceeds from sales and redemption of investment securities	919	0
Payments of loans receivable	(3)	(0)
Collection of loans receivable	1	1
Net cash provided by (used in) investing activities	234	(1,163)

(Unit: millions of yen)

	Q2 of FY2018 (June 1, 2017 to November 30, 2017)	Q2 of FY2019 (June 1, 2018 to November 30, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	611	(278)
Repayments of long-term loans payable	(585)	(586)
Repayments of lease obligations	(325)	(299)
Purchase of treasury shares	(0)	(1,454)
Proceeds from share issuance to non-controlling shareholders	33	—
Cash dividends paid	(264)	(263)
Cash dividends paid to non-controlling interests	(220)	(270)
Net cash provided by (used in) financing activities	(752)	(3,152)
Effect of exchange rate change on cash and cash equivalents	47	(19)
Net increase (decrease) in cash and cash equivalents	158	(4,685)
Cash and cash equivalents at beginning of period	6,930	9,411
Cash and cash equivalents at end of period	7,088	4,725

(4) Major notes on consolidated quarterly financial statements

(Notes on assumption of going concern)

Not applicable.

(Notes on significant changes in shareholders' equity)

In accordance with the resolution approved at the Board of Directors' meeting held on September 10, 2018, the Company repurchased 454,400 shares of its treasury shares. As a result, treasury shares increased by 1,454 millions of yen during the second quarter of the fiscal year ending May 31, 2019, totaling 1,819 millions of yen at the end of the second quarter of the fiscal year ending May 31, 2019.

(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 Q2 of FY2018 (June 1, 2017 to November 30, 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	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.

II Q2 of FY2019 (June 1, 2018 to November 30, 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	16,631	29,845	2,760	49,237	71	49,309	—	49,309
Inter-segment sales and transfers	367	4	1	372	88	460	(460)	—
Total	16,998	29,850	2,761	49,610	159	49,769	(460)	49,309
Segment income (loss)	(29)	1,851	195	2,017	43	2,061	(709)	1,351

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

2. Adjustment of -709 millions of yen in segment income (loss) includes eliminations among segments of 9 millions of yen and corporate expenses unallocated to relevant reportable segments of -719 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.