



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

April 12, 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: April 12, 2019 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 FY2019 (June 1, 2018 to February 28, 2019)

(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, 2019	73,734	0.5	2,001	11.4	1,804	(8.2)	241	(68.5)
Q3 of FY ended May 31, 2018	73,333	3.2	1,796	392.0	1,965	306.4	769	—

(Note) Comprehensive income Q3 of FY ending May 31, 2019: (11) millions of yen (— %)
Q3 of FY ended May 31, 2018: 2,258 millions of yen (85.4 %)

	Profit per share Basic	Profit per share Diluted
	Yen	Yen
Q3 of FY ending May 31, 2019	33.45	—
Q3 of FY ended May 31, 2018	101.98	—

*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, 2019	91,802	35,838	33.9
FY2018	92,181	38,541	36.9

(Reference) Shareholders' equity Q3 of FY ending May 31, 2019: 31,091 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	98,500	0.6	3,100	37.9	2,900	22.9	1,100	1.5	152.08

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

*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)

Q3 of FY2019	7,682,162 shares	FY2018	7,682,162 shares
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(ii) Number of treasury shares at the end of the period

Q3 of FY2019	785,083 shares	FY2018	139,368 shares
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(iii) Average number of shares outstanding during the period (quarterly consolidated cumulative period)

Q3 of FY2019	7,233,206 shares	Q3 of FY2018	7,543,445 shares
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*The Company consolidated its common shares at a ratio of 10 shares to 1 share, effective December 1, 2017. Therefore, the 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 third 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 third 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 third quarter of the consolidated fiscal year under review, the Japanese economy continued to recover gradually, supported by the improvement in corporate earnings and employment and income environment. Overseas, wariness over the outlook for the global economy rose due to concerns over trade frictions between the U.S. and China and the slowdown in the Chinese economy.

Under these circumstances, our consolidated net sales for the third quarter of the consolidated fiscal year under review, the second year of our 5th three-year medium-term management plan “2020,” were 73,734 millions of yen (up 0.5% year-on-year), with operating income of 2,001 millions of yen (up 11.4%), and ordinary income of 1,804 millions of yen (down 8.2%). Meanwhile, profit attributable to owners of parent was 241 millions of yen (down 68.5%), since there was no gain on sales of investment securities that we had posted in 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 steadily, supported by the effect of the increase in the number of inbound tourists to Japan. However, exports of *ECOS*®, eco-friendly carpet tiles under the *horizontal recycling* system, were sluggish and their sales in Japan also fell due to few large-scale projects being initiated. Consequently, sales of commercial-use carpets remained flat 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, increased robustly due to a number of large-scale projects. Sales of *U Life*® Vol.9, curtains for general households that were launched in July 2018, were in line with those of the same series in the previous year. However, sales of *mode S*® Vol.8 and others 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 home improvement, and *Runon Rin*, the second series of fusuma (sliding doors) paper that was put on the market in June 2018, were robust. Consequently, the Interior Fittings Segment posted operating loss of 117 millions of yen (operating income of 48 millions of yen in the same period of the previous year) on net sales of 25,005 millions of yen (down 1.4% year-on-year).

(Automotive Textiles and Traffic Facilities Segment)

In the automotive textiles business as a whole, both sales and operating income increased from the previous year. In Japan, sales and operating income fell from the previous year, since we transferred a sales base of new fabric mixtures, whose sales grew in the previous year, to overseas. Meanwhile, overseas, sales and operating income increased from the previous year. In Asia, sales grew steadily in China. In North America, we saw the profitability of Suminoe Textile of America Corporation, a subsidiary in the U.S., improve, while sales grew in Mexico due to a rise in orders for new fabric mixtures.

In the traffic facilities business as a whole, sales were in line with the previous year, but operating income fell from the previous year. Railway vehicle-related sales grew from the previous year due to a steady rise in demand related to the production of new trains and remodeling of existing trains from the Japan Railways (JR) Group and private railway companies, and an increase in the adoption of products used for improving the safety of railways. Bus-related sales decreased from the previous year, since demand for interior materials related to the production of new buses and remodeling of existing buses continued to decline due to a delay in the recovery of the use of buses for sightseeing in Japan. Meanwhile, airplane-related sales remained flat from the previous year, since shipments of new products reached saturation point.

Consequently, the Automotive Textiles and Traffic Facilities Segment posted operating income of 2,942 millions of yen (up 14.3% year-on-year) on net sales of 45,254 millions of yen (up 1.1%).

(Functional Materials Segment)

In the deodorization and filter-related business, both sales and operating income increased from the previous year, since we obtained new orders and deodorizing filters for heating equipment sold well, although sales of deodorizing filters for air cleaners failed to reach the previous year’s level. In the electric carpet business, sales and operating income grew from the previous year due to an increase in the number of orders. Sales and operating income of

building and civil engineering materials and *KEAT*, bristle brush materials, are also increased from previous year due to the steady sales. Although sales of floor materials for bathrooms remained unchanged from the previous year, sales of *Sumitron*®, a polyester filament for dust mats, and mats for school children, were sluggish. Consequently, 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 3.9% year-on-year) on net sales of 3,369 millions of yen (up 7.6%).

(2) Explanation of financial position

Total assets at the end of the third quarter of the consolidated fiscal year under review amounted to 91,802 millions of yen, down 378 millions of yen from the end of the previous fiscal year, due to a decrease in investment securities.

Liabilities stood at 55,964 millions of yen, up 2,324 millions of yen, due to an increase in long-term loans payable.

Net assets totaled 35,838 millions of yen, down 2,702 millions of yen, due to the acquisition of treasury shares.

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

Considering the current trend in business performance, the Company has revised the forecasts of consolidated business results for the full year of the fiscal year ending May 31, 2019 announced on July 13, 2018.

For details, please refer to the “Notice Concerning the Revision of the Forecasts of Business Results” announced today (April 12, 2019).

2. Consolidated quarterly financial statements and major notes

(1) Consolidated quarterly balance sheet

(Unit: millions of yen)

	FY2018 (As of May 31, 2018)	Q3 of FY2019 (As of February 28, 2019)
Assets		
Current assets		
Cash and deposits	9,531	8,691
Notes and accounts receivable-trade	17,449	18,354
Electronically recorded monetary claims - operating	5,607	6,512
Merchandise and finished goods	11,077	10,099
Work in process	1,788	1,890
Raw materials and supplies	3,768	4,280
Income taxes receivable	125	155
Others	3,439	3,685
Allowance for doubtful accounts	(17)	(19)
Total current assets	52,770	53,650
Non-current assets		
Property, plant and equipment		
Land	17,600	17,608
Other, net	9,537	9,363
Total property, plant and equipment	27,138	26,972
Intangible assets	1,085	1,275
Investments and other assets		
Investment securities	8,984	7,538
Deferred tax assets	1,136	1,287
Other	1,215	1,230
Allowance for doubtful accounts	(148)	(151)
Total investments and other assets	11,187	9,904
Total non-current assets	39,411	38,152
Total assets	92,181	91,802

(Unit: millions of yen)

	FY2018 (As of May 31, 2018)	Q3 of FY2019 (As of February 28, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,571	15,749
Electronically recorded obligations - operating	4,783	4,306
Short-term loans payable	13,588	13,070
Income taxes payable	550	219
Provision for loss on litigation	472	—
Other	3,906	3,485
Total current liabilities	37,872	36,831
Non-current liabilities		
Bonds payable	500	1,500
Long-term loans payable	5,308	7,682
Deferred tax liabilities	547	594
Provision for directors' retirement benefit	382	93
Net defined benefit liability	4,065	4,063
Other	4,963	5,198
Total non-current liabilities	15,767	19,132
Total liabilities	53,639	55,964
Net assets		
Shareholders' equity		
Capital stock	9,554	9,554
Capital surplus	2,652	2,652
Retained earnings	10,822	10,552
Treasury shares	(364)	(2,273)
Total shareholders' equity	22,664	20,484
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,154	2,409
Deferred gains or losses on hedges	11	2
Revaluation reserve for land	7,797	7,797
Foreign currency translation adjustment	600	543
Remeasurements of defined benefit plans	(170)	(146)
Total accumulated other comprehensive income	11,393	10,606
Non-controlling interests	4,484	4,747
Total net assets	38,541	35,838
Total liabilities and net assets	92,181	91,802

(2) Consolidated quarterly statement of income and comprehensive income

Consolidated quarterly statement of income

(The third quarter of FY2019)

(Unit: millions of yen)

	Q3 of FY2018 (June 1, 2017 to February 28, 2018)	Q3 of FY2019 (June 1, 2018 to February 28, 2019)
Net sales	73,333	73,734
Cost of sales	58,568	58,696
Gross profit	14,764	15,038
Selling, general and administrative expenses	12,967	13,036
Operating income	1,796	2,001
Non-operating income		
Interest income	7	9
Dividend income	121	125
Share of profit of entities accounted for using equity method	53	—
Real estate rent	175	185
Other	132	121
Total non-operating income	489	441
Non-operating expenses		
Interest expenses	200	242
Share of loss of entities accounted for using equity method	—	44
Foreign exchange losses	19	54
Rent expenses on real estates	24	23
Other	77	271
Total non-operating expenses	321	638
Ordinary income	1,965	1,804
Extraordinary income		
Gain on sales of non-current assets	3	13
Gain on sales of investment securities	667	7
Total extraordinary income	671	21
Extraordinary loss		
Loss on sales and retirement of non-current assets	6	17
Loss on valuation of investment securities	—	79
Loss on sales of investment securities	—	120
Total extraordinary loss	6	217
Profit before income taxes	2,630	1,608
Income taxes - current	886	649
Income taxes - deferred	319	148
Total income taxes	1,206	797
Profit	1,424	810
Profit attributable to non-controlling interests	654	568
Profit attributable to owners of parent	769	241

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

(Unit: millions of yen)

	Q3 of FY2018 (June 1, 2017 to February 28, 2018)	Q3 of FY2019 (June 1, 2018 to February 28, 2019)
Profit	1,424	810
Other comprehensive income		
Valuation difference on available-for-sale securities	613	(745)
Deferred gains or losses on hedges	(26)	3
Foreign currency translation adjustment	224	(91)
Remeasurements of defined benefit plans, net of tax	24	24
Share of other comprehensive income of entities accounted for using equity method	(2)	(12)
Total other comprehensive income	833	(821)
Comprehensive income	2,258	(11)
Comprehensive income attributable to:		
Owners of parent	1,525	(545)
Non-controlling interests	733	534

(3) 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. Furthermore, in accordance with the resolution approved at the Board of Directors' meeting held on January 11, 2019, the Company repurchased 190,900 shares of its treasury shares. As a result, treasury shares increased by 1,909 millions of yen during the third quarter of the fiscal year ending May 31, 2019, totaling 2,273 millions of yen at the end of the third 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 Q3 of FY2018 (June 1, 2017 to February 28, 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	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.

II Q3 of FY2019 (June 1, 2018 to February 28, 2019)

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	25,005	45,254	3,369	73,629	104	73,734	—	73,734
Inter-segment sales and transfers	548	6	1	556	130	687	(687)	—
Total	25,553	45,260	3,371	74,186	235	74,421	(687)	73,734
Segment income (loss)	(117)	2,942	195	3,020	56	3,077	(1,075)	2,001

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

2. Adjustment of -1,075 millions of yen in segment income (loss) includes eliminations among segments of 22 millions of yen and corporate expenses unallocated to relevant reportable segments of -1,098 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.