



Consolidated Financial Results for the First Quarter of Fiscal Year 2020 (Japanese GAAP)

October 11, 2019

Listed company name Suminoe Textile Co., Ltd. Listed on the Tokyo Stock Exchange
Code number 3501 URL: <https://suminoe.co.jp/>
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Scheduled date of filing of quarterly report: October 11, 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 1st Quarter of FY2020 (June 1, 2019 to August 31, 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	%
Q1 of FY ending May 31, 2020	23,031	(0.1)	291	36.4	271	4.8	(46)	—
Q1 of FY ended May 31, 2019	23,058	(0.4)	213	(38.0)	258	(37.5)	(137)	—

(Note) Comprehensive income Q1 of FY ending May 31, 2020: 35 millions of yen (— %)
Q1 of FY ended May 31, 2019: (375) millions of yen (— %)

	Profit per share Basic	Profit per share Diluted
	Yen	Yen
Q1 of FY ending May 31, 2020	(6.80)	—
Q1 of FY ended May 31, 2019	(18.19)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
Q1 of FY ending May 31, 2020	90,448	34,898	33.4
FY2019	87,975	35,271	34.8

(Reference) Shareholders' equity Q1 of FY ending May 31, 2020: 30,172 millions of yen FY2019: 30,588 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
FY2019	—	35.00	—	35.00	70.00
FY2020	—	—	—	—	—
FY2020 (Forecast)	—	35.00	—	35.00	70.00

(Note) Revision of the latest dividend forecast: No

3. Forecast of Consolidated Financial Results for FY2020 (June 1, 2019 to May 31, 2020)

(% 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	48,000	(2.7)	1,100	(18.6)	1,150	(14.8)	470	(4.8)	70.18
Full year	96,000	(2.7)	2,600	(16.6)	2,800	(5.3)	1,300	178.3	196.34

(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 January 11, 2019. 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 25, 2019 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 26, 2019.

*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 FY2020	7,682,162 shares	FY2019	7,682,162 shares
Q1 of FY2020	880,254 shares	FY2019	837,557 shares
Q1 of FY2020	6,820,116 shares	Q1 of FY2019	7,542,747 shares

(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

(1) Explanation of business results

During the first quarter of the consolidated fiscal year under review, although the employment and income environments remain strong, the future outlook is unclear due to factors such as concerns over the global economic slowdown resulting from the prolonged US-China trade friction.

In the interior industry, the inbound tourism-driven demand in non-residential areas was sustained mainly in urban areas despite a slight year-on-year decline in housing starts.

In the automotive industry, output in the domestic market expanded compared to the previous year, although demand in overseas markets contracted as the impact of the slowing Chinese and North American markets due to the US-China trade friction spread to Asian economies.

In the final year of its 5th three-year medium-term management plan, "2020," the Suminoe Textile Group is implementing various measures to achieve our goals under the themes of "restructuring of corporate governance" and "growth of business."

Restructuring of corporate governance	1. Review of financial results management system
	2. Restructuring internal control system
Growth of business	1. Expansion of product lineups
	2. Strengthening of globalization
	3. Development and sales of high value-added products

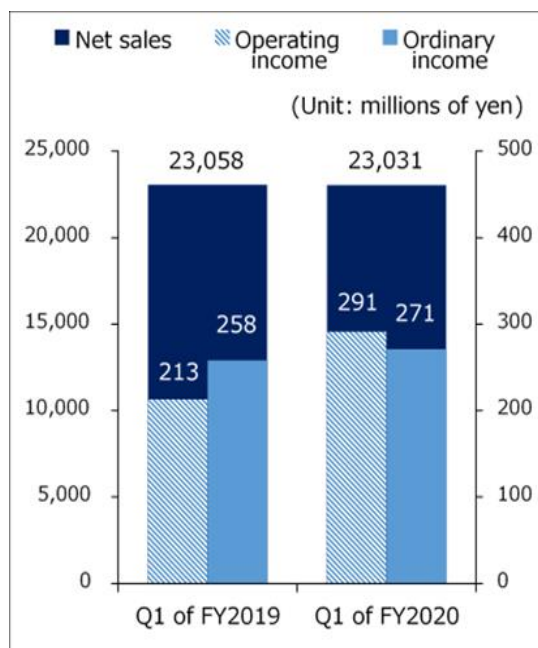
In the Interior Fittings Segment, the Company is actively capturing businesses with hotels and commercial facilities on the back of the demand driven by inbound tourism and the 2020 Tokyo Olympic and Paralympic Games. At the same time, the Company is identifying and focusing on products with higher profitability to secure profits.

In the Automotive Textiles and Traffic Facilities Segment, efforts are being made to develop technologies and increase orders received for non-textile products such as artificial leather and to reduce costs through the optimization of material procurement and the places of production for globally marketed cars.

In the Functional Materials Segment, a new subsidiary was established in Vietnam to stabilize the supply chain, in addition to the sole manufacturing base the Company had in China.

For the entire Group, we are working on reconstructing our core system and raising the accuracy of consolidated performance management, in order to upgrade our business management structure. We will keep steadily working on building a foundation for the next medium-term management plan from the aspects of both sales and administration.

Under these circumstances, our consolidated quarterly results for the first quarter of this fiscal year are as follows.



Net sales shrank slightly by 0.1% year on year to 23,031 millions of yen, reflecting a combination of the stagnant automotive-related sales affected by the global economic environment and solid sales in other businesses.

Operating income only rose 4.8% year on year to 291 millions of yen on the back of the improved cost to sales ratio.

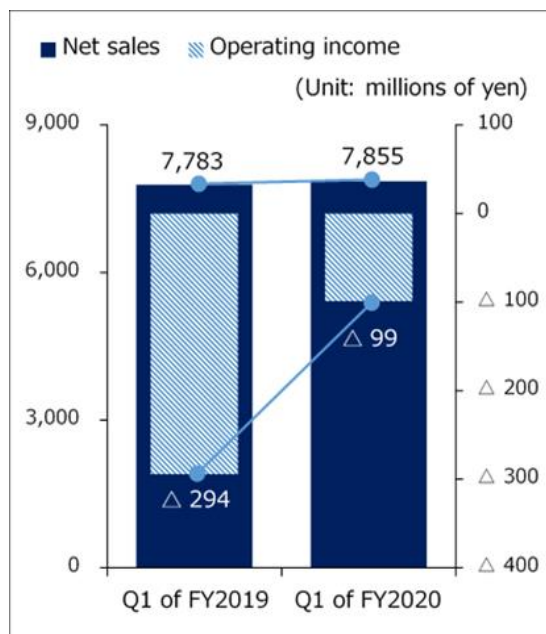
Ordinary income rose 36.4% year on year to 271 millions of yen due to foreign exchange losses and the investment losses that arose under the equity method.

As the cost of taxes decreased, loss attributable to owners of parent shrank from 137 millions of yen in the same quarter of the previous year to 46 millions of yen.

The performance by segment is as described below.

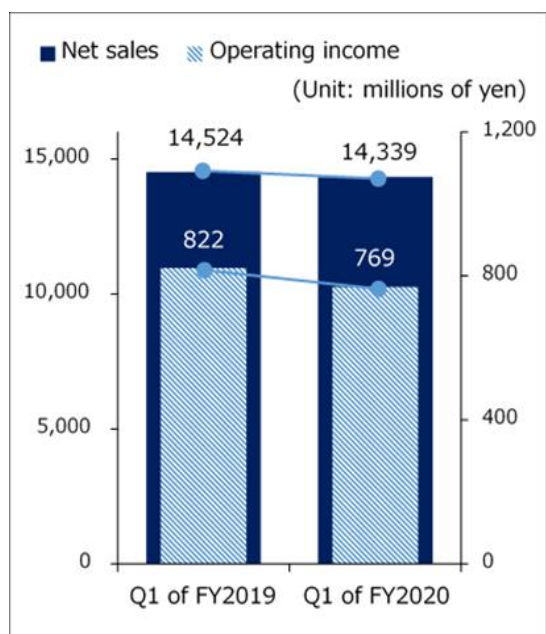
Segments	Net sales		Operating income (loss)	
	Amount (Millions of Yen)	YY Change (%)	Amount (Millions of Yen)	YY Change (%)
Interior Fittings	7,855	0.9	(99)	—
Automotive Textiles and Traffic Facilities	14,339	(1.3)	769	(6.5)
Functional Materials	796	11.1	21	122.9
Other	40	21.5	21	2.2
Total	23,031	(0.1)	712	27.5
Adjustment	—	—	(421)	—
Consolidated	23,031	(0.1)	291	36.4

(Interior Fittings Segment)



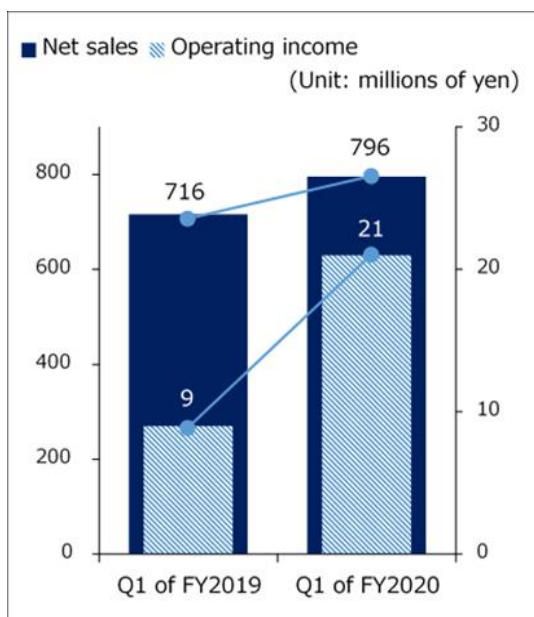
Net sales rose by 0.9% year on year to 7,855 millions of yen, helped by an increase in the orders received for commercial carpets and curtains and the spread of the revised sales prices of products to match the rising materials and logistics costs. Thanks to the contribution from the price revision and our focus on products with higher profitability, operating loss shrank by 195 millions of yen (operating loss of 294 millions of yen in the same period of the previous year) to 99 millions of yen. Regarding commercial carpets, overseas exports of carpet tiles contracted, although their domestic sales remained robust. Sales of roll carpets rose 4% year on year as a result of an increase in orders received, including orders for high-end products, for accommodation and commercial facilities in response to inbound tourism-driven demand. Sales of household carpets shrank 17% year on year as a result of the Company's focus on high-value-added products. Sales of curtains grew 8% year on year on the back of the strong sales of the sample book for general households, *U Life® Vol. 9*, and the launch of *mode S® Vol. 9*. Sales of wall coverings and materials increased 8% year on year on account of the solid sales of general wallpapers and the market penetration of fusuma (sliding doors) paper, *Runon Rin*.

(Automotive Textiles and Traffic Facilities Segment)



The railway and bus-related business performed well, although automotive-related sales slightly decreased due to the globally weak sales by Japanese car makers. As a result, net sales shrank by 1.3% year on year to 14,339 millions of yen and operating income shrank by 6.5% year on year to 769 millions of yen. Domestic automotive-related sales grew 2% year on year thanks to the solid output by car makers and the orders received for new models. Overseas sales shrank 6% year on year reflecting smaller sales in the U.S., China, India and Thailand which were partly attributable to the impact of the global economic environment. Consequently, overall automotive-related sales contracted 3% year on year. In the traffic facilities business, sales rose 25% year on year on the back of robust orders received from Japan Railways (JR) Group and private railway companies, whose introduction of new carriages and periodical repair work plans had been returned to the normal level.

(Functional Materials Segment)



Net sales rose by 11.1% year on year to 796 millions of yen due to factors such as the change in the shipment timing of seasonal products. Operating income rose by 122.9% year on year to 21 millions of yen, reflecting smaller expenses.

Sales of electric carpets, which are seasonal products, grew due to the change to their shipment timing, although the number of orders received almost moved sideways from the previous year. Demand for *Sumitron*®, polyester filament for dust mats, was strong, resulting in larger sales.

Sales of deodorization and filter-related business declined because of a drop in the orders received for some products.

(2) Explanation of financial position

Total assets at the end of the first consolidated accounting quarter under review amounted to 90,448 millions of yen, up 2,473 millions of yen from the end of the previous fiscal year, due to factors such as an increase in the inventory of finished seasonal goods and an increase in leased assets (Other in Property, Plant and Equipment) as a result of the application of IFRS 16 Leases.

Liabilities grew to 55,550 millions of yen, up 2,846 millions of yen, reflecting factors such as an increase in lease obligations due to the application of IFRS 16 Leases (Other in Current Liabilities and Other in Non-current Liabilities).

Net assets shrank to 34,898 millions of yen, down 372 millions of yen, due to drops in retained earnings and in shareholders' equity following the share buyback.

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

There are no modifications to the forecasts for the second quarter and the full year of the fiscal year ending May 31, 2020 announced on July 12, 2019.

2. Consolidated quarterly financial statements and major notes

(1) Consolidated quarterly balance sheet

(Unit: millions of yen)

	FY2019 (As of May 31, 2019)	Q1 of FY2020 (As of August 31, 2019)
Assets		
Current assets		
Cash and deposits	7,880	7,900
Notes and accounts receivable-trade	18,180	17,503
Electronically recorded monetary claims - operating	5,673	6,647
Merchandise and finished goods	9,367	10,658
Work in process	2,011	1,804
Raw materials and supplies	4,287	3,943
Income taxes receivable	166	262
Others	3,100	3,092
Allowance for doubtful accounts	(29)	(31)
Total current assets	50,638	51,782
Non-current assets		
Property, plant and equipment		
Land	17,611	17,607
Other, net	8,749	9,697
Total property, plant and equipment	26,361	27,305
Intangible assets	1,421	1,533
Investments and other assets		
Investment securities	6,932	7,173
Deferred tax assets	1,587	1,505
Other	1,184	1,300
Allowance for doubtful accounts	(150)	(151)
Total investments and other assets	9,554	9,828
Total non-current assets	37,336	38,666
Total assets	87,975	90,448

(Unit: millions of yen)

	FY2019 (As of May 31, 2019)	Q1 of FY2020 (As of August 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,193	16,211
Electronically recorded obligations - operating	4,425	5,603
Short-term loans payable	9,755	9,915
Income taxes payable	458	328
Other	3,946	4,284
Total current liabilities	33,779	36,344
Non-current liabilities		
Bonds payable	1,500	1,500
Long-term loans payable	7,293	6,956
Deferred tax liabilities	554	528
Provision for directors' retirement benefit	95	97
Net defined benefit liability	4,303	4,256
Other	5,178	5,867
Total non-current liabilities	18,924	19,206
Total liabilities	52,704	55,550
Net assets		
Shareholders' equity		
Capital stock	9,554	9,554
Capital surplus	2,652	2,651
Retained earnings	10,777	10,491
Treasury shares	(2,423)	(2,541)
Total shareholders' equity	20,560	20,156
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,913	2,087
Deferred gains or losses on hedges	(6)	(1)
Revaluation reserve for land	7,797	7,797
Foreign currency translation adjustment	601	400
Remeasurements of defined benefit plans	(277)	(267)
Total accumulated other comprehensive income	10,028	10,016
Non-controlling interests	4,682	4,725
Total net assets	35,271	34,898
Total liabilities and net assets	87,975	90,448

(2) Consolidated quarterly statement of income and comprehensive income

Consolidated quarterly statement of income

(The first quarter of FY2020)

(Unit: millions of yen)

	Q1 of FY2019 (June 1, 2018 to August 31, 2018)	Q1 of FY2020 (June 1, 2019 to August 31, 2019)
Net sales	23,058	23,031
Cost of sales	18,537	18,385
Gross profit	4,520	4,645
Selling, general and administrative expenses	4,306	4,354
Operating income	213	291
Non-operating income		
Interest income	3	4
Dividend income	42	36
Share of profit of entities accounted for using equity method	7	—
Foreign exchange gains	12	—
Real estate rent	57	67
Dividend income of insurance	37	29
Other	43	24
Total non-operating income	203	161
Non-operating expenses		
Interest expenses	84	73
Share of loss of entities accounted for using equity method	—	12
Foreign exchange losses	—	37
Rent expenses on real estates	8	9
Provision for loss on litigation	38	—
Other	28	48
Total non-operating expenses	159	181
Ordinary income	258	271
Extraordinary income		
Gain on sales of non-current assets	6	1
Total extraordinary income	6	1
Extraordinary loss		
Loss on sales and retirement of non-current assets	5	0
Total extraordinary loss	5	0
Profit before income taxes	260	272
Income taxes - current	190	216
Income taxes - deferred	49	(22)
Total income taxes	239	194
Profit	20	77
Profit attributable to non-controlling interests	158	124
Loss attributable to owners of parent	(137)	(46)

Consolidated quarterly statements of comprehensive income
(The first quarter of FY2020)

(Unit: millions of yen)

	Q1 of FY2019 (June 1, 2018 to August 31, 2018)	Q1 of FY2020 (June 1, 2019 to August 31, 2019)
Profit	20	77
Other comprehensive income		
Valuation difference on available-for-sale securities	(294)	173
Deferred gains or losses on hedges	17	(0)
Foreign currency translation adjustment	(113)	(231)
Remeasurements of defined benefit plans, net of tax	8	10
Share of other comprehensive income of entities accounted for using equity method	(13)	5
Total other comprehensive income	(396)	(42)
Comprehensive income	(375)	35
Comprehensive income attributable to:		
Owners of parent	(482)	(58)
Non-controlling interests	106	94

(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 IFRS 16 Leases)

As of the beginning of the first consolidated accounting quarter under review, IFRS 16 Leases was applied to all our overseas consolidated subsidiaries, except for those in the U.S. The Company has adopted a method of recognizing the cumulative impact of the application of IFRS 16 Leases as of the start date of its application, which is permitted as a transitory measure.

As a result, as at the beginning of the first consolidated accounting quarter under review, Other in Property, Plant and Equipment, Other in Current Liabilities, and Other in Non-current Liabilities had risen by 1,077 millions of yen, 252 millions of yen, and 782 millions of yen, respectively. Their impact on the consolidated statement of income for the first quarter under review is negligible.

(Segment information)

I 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	23,021	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.

II Q1 of FY2020 (June 1, 2019 to August 31, 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	7,855	14,339	796	22,990	40	23,031	—	23,031
Inter-segment sales and transfers	181	2	0	184	40	224	(224)	—
Total	8,036	14,341	797	23,175	80	23,255	(224)	23,031
Segment income (loss)	(99)	769	21	691	21	712	(421)	291

- (Note) 1. *Other* represents businesses that are not included in reportable segments, such as the physical property and performance inspection businesses.
2. Adjustment of -421 millions of yen in segment income (loss) includes eliminations among segments of 7 millions of yen and corporate expenses unallocated to relevant reportable segments of -428 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 January 11, 2019, 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 600,000 shares (upper limit)
(Percentage to number of issued shares (excluding treasury stock) 8.46%)

(4) Aggregate repurchased amount 1,800,000,000 yen (upper limit)

(5) Period of repurchase January 15, 2019 to January 14, 2020

(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 26, 2019 pursuant to the resolution approved at the Board of Directors mentioned above

(1) Total number of shares repurchased 233,000 shares

(2) Aggregate repurchased amount 730,455,000 yen

3 Aggregate number of treasury shares repurchased by September 26, 2019 pursuant to the resolution approved at the Board of Directors mentioned above

(1) Total number of shares repurchased 557,500 shares

(2) Aggregate repurchased amount 1,574,662,000 yen

The repurchase of treasury shares pursuant to the resolution was completed on September 26, 2019.