

Suminoe Textile ANNUAL REPORT 2019

YEAR ENDED MAY 31, 2019



History

Suminoe Textile supplied carpet to various major architectural structures during the Meiji era.
We have thus advanced together with Japan from its start as a modern nation.

Company Purpose

We contribute to the improvement of society through production, sales of good products and prosperity of business.

Company Motto

We pride ourselves as a pioneer in the interior design and furnishing industry and persist in the spirit of cooperation, sincerity and resolution.



1883

At the age of 35 founder Denshichi Murata purchased 3 looms in 1883 and began manufacturing carpets.



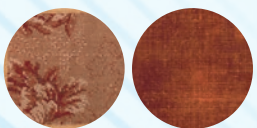
1891

In 1891, Suminoe Textile supplied carpet for the establishment of Japan's Imperial Diet Building in Hibiya. We have been serving as its supplier for 120 years since then.



1896

Successful production of hand-woven moquette in 1896, adopted by Japan National Railways for seat covering in 1899.



1913

Suminoe Textile Joint-Stock Company is established.



1930

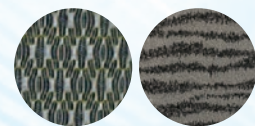
Suminoe Textile Co., Ltd. is established.

1949

Shares listed on the Tokyo, Osaka, and Kyoto stock exchanges.

1958

Starting with our supply of nylon seat covering to TOYOTA MOTOR CORPORATION in 1958, our products have been used by various Japanese automobile manufacturers one after another.



1980

Nara Factory began production of Japan's first carpet tiles.

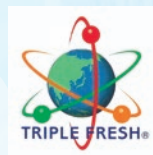


1994

Current subsidiary, T.C.H. Suminoe Co., Ltd. is jointly established in Thailand.

1998

TRIPLE FRESH® deodorant treatment technology developed.



2003

Suminoe Textile of America Corporation is established in the U.S.
Current subsidiary, Suzhou Suminoe Textiles Co., Ltd. is established in China.
Current subsidiary, Suzhou Suminoe Koide Automotive Accessories Co., Ltd. is jointly established in China.
Current subsidiary, PT. Sinar Suminoe Indonesia is jointly established in Indonesia.

2005

Subsidiary, SPM Automotive Textile Co., Ltd. is jointly established in China.

2010

Subsidiary, Suminoe Teijin Techno Krishna India Pvt. Ltd. is jointly established in India.
Suminoe Textile Shanghai Co., Ltd. is established in China.

2011

ECOS® Recycled Carpet Tiles New Release.



2012

ECOS® became the first product to obtain Eco Mark certification under the new certification criteria.

2013

Consolidate Suminoe Koka Co., Ltd. and Suminoe Nara Co., Ltd., Suminoe Techno Co., Ltd. is established.
Suminoe Textile de Mexico, S.A. de C.V. is established in Mexico.
PT. Suminoe Surya Techno is established in Indonesia.



We celebrated the 130th anniversary of our founding and the 100th anniversary of our incorporation.

2015

Acquired Bondtex, Inc. and made it a consolidated subsidiary.

2018

Suminoe Koide (Thailand) Co., Ltd. starts up operations.

2019

Suminoe Textile Vietnam Co., Ltd. is established in Vietnam.

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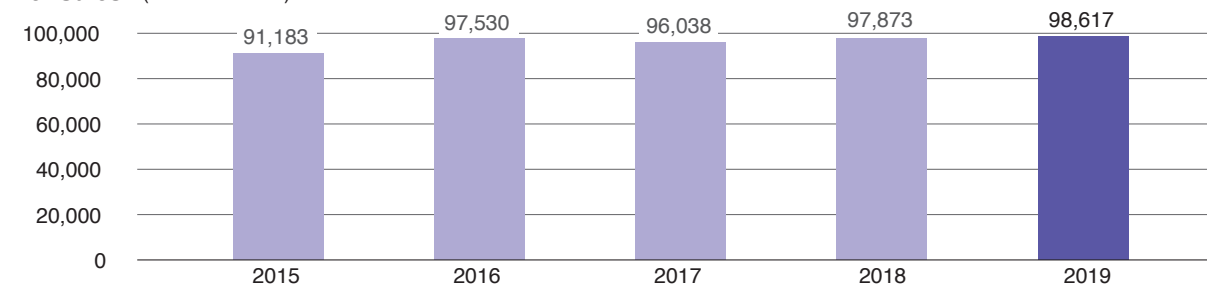
We are aiming for the creation of a globally optimized supply system.

Financial Highlights

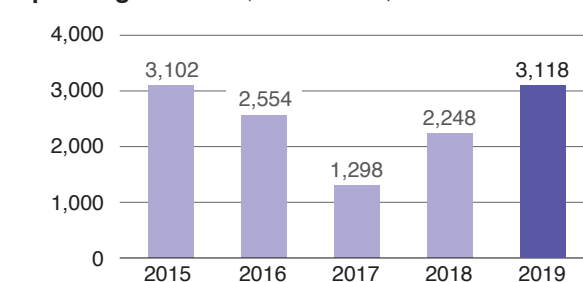
	Millions of Yen					Thousands of U.S.Dollars
	2019	2018	2017	2016	2015	2019
For the Year:						
Net Sales	¥98,617	¥97,873	¥96,038	¥97,530	¥91,183	\$904,743
Operating Income	3,118	2,248	1,298	2,554	3,102	28,606
Net Income Attributable to Owners of the Parent	467	1,084	26	245	1,816	4,284
At Year-End:						
Total Assets	¥87,976	¥92,183	¥90,255	¥86,878	¥90,126	\$807,119
Total Equity	35,271	38,542	37,399	37,178	39,205	323,587
Per Share (Yen and U.S. dollars):						
Net Income Attributable to Owners of the Parent	¥65.36	¥143.66	¥3.50	¥32.52	¥240.67	\$0.60
Shareholder's Equity	4,469.04	4,515.26	4,412.34	4,416.08	4,661.45	41.00
Cash dividends applicable to the year	70.00	70.00	70.00	70.00	60.00	0.64
Financial Ratios (%) :						
Equity Ratio	34.8%	36.9%	36.9%	38.3%	39.0%	
ROE (Net Income Attributable to Owners of the Parent Base)	1.4	3.2	0.1	0.7	5.5	
ROA (Ordinary Income Base)	3.4	2.6	1.5	3.3	4.2	

Note 1: U.S. dollar amounts are converted from Japanese yen amounts at the rate of U.S.\$1 to ¥109, the approximate rate on May 31, 2019.
 2: Net income attributable to owners of the parent per share of common stock is computed based on the weighted average number of shares outstanding.
 3: Suminoe Textile implemented a 1-for-10 reverse split of common shares, which took effect on December 1, 2017. We are calculating our net income attributable to owners of the parent per share, shareholder's equity per share and cash dividends applicable to the year per share based on the number of shares outstanding after the reverse stock split.

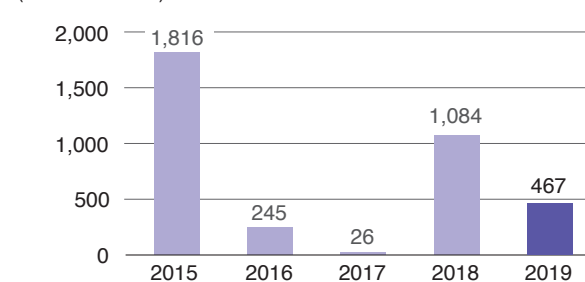
Net Sales (Millions of Yen)



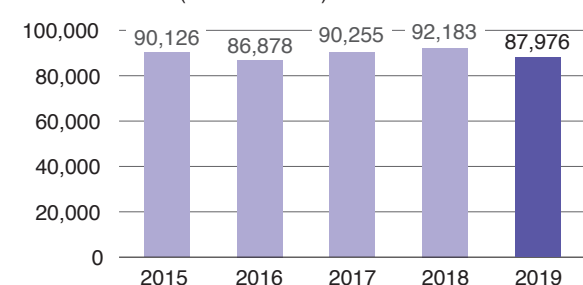
Operating Income (Millions of Yen)



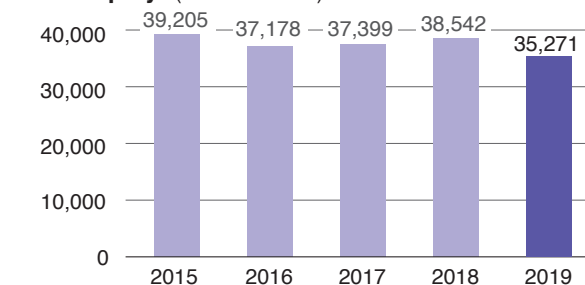
Net Income Attributable to Owners of the Parent (Millions of Yen)



Total Assets (Millions of Yen)



Total Equity (Millions of Yen)



Business Results

Chairman and President
Ichizo Yoshikawa

吉川 一三

Consolidated financial result

During the consolidated fiscal year ended May 31, 2019 under review, the employment and income environment maintained a modest trajectory toward recovery and corporate earnings also trended solid and steadily. However, there was enhanced wariness over the future economic outlook primarily attributable to concerns of prolonged U.S.-China trade friction.

In accordance with the basic policy of its 5th three-year medium-term management plan, “2020,” the Suminoe Textile Group deployed various measures to achieve the goals in its second year of the plan. Net sales increased year-on-year reflecting strong performance in the Automotive Textiles and Traffic Facilities Segment owing to an expansion in sales at Japanese automakers in China. Operating income and ordinary income also grew in comparison with a year earlier. However, net income attributable to owners of the parent declined due to the posting of an extraordinary loss, reflecting both an impairment

loss at Suminoe Textile of America Corporation, U.S. subsidiary, and a loss on the sale of investment securities. Under these circumstances, our consolidated net sales for the fiscal year under review were ¥98,617 million (U.S.\$904,743 thousand, up 0.8% year-on-year), with operating income of ¥3,118 million (U.S.\$28,606 thousand, up 38.8%), ordinary income of ¥2,956 million (U.S.\$27,124 thousand, up 25.3%), and net income attributable to owners of the parent of ¥467 million (U.S.\$4,284 thousand, down 56.9%).

Consolidated Financial Results & Targets

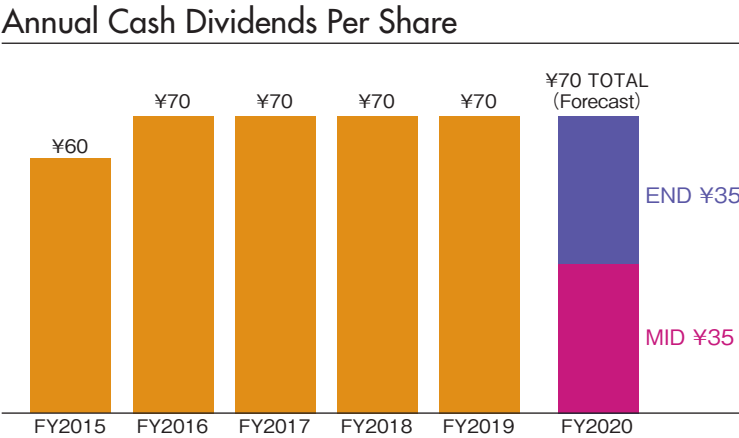
	2020 (Target)	2019 (Result)	2018 (Result)
Net Sales	¥96,000	¥ 98,617	¥ 97,873
		\$904,743	\$897,917
Operating Income	¥ 2,600	¥ 3,118	¥ 2,248
		\$ 28,606	\$ 20,624
Net Income Attributable to Owners of the Parent	¥ 1,300	¥ 467	¥ 1,084
		\$ 4,284	\$ 9,945
Exchange Rate (Yen)	—	U.S.\$1=¥109	U.S.\$1=¥109

¥ : Millions of Yen \$: Thousands of U.S. Dollars

Dividend policy

The Company has positioned shareholder return as a key management issue and distributes profits appropriately by taking into account stable dividend payments and business results. Based on this basic dividend policy, for this fiscal year, we have paid an annual dividend of ¥70 (U.S.\$0.64) per share (¥35 (U.S.\$0.32) per share for both year-end and interim dividends).

In addition, it plans to pay an annual dividend of ¥70 per share (an interim dividend of ¥35 and year-end dividend of ¥35) for the fiscal year ending May 2020.



Note : The figures shown were calculated based on standards after the reverse stock split.

Outlook for the next term

The fiscal year ending May 31, 2020 is the last year of “2020,” our 5th three-year medium-term management plan. The economy in Japan continues to gradually trend toward recovery but the economic outlook remains unclear due to various risks, including the consumption tax hike, which is expected to be implemented in October 2019, and overseas concerns including a slowdown in the global economy and U.S.-China trade friction. Based on the themes of restructuring corporate governance and growth of business in the medium-term management plan, the Suminoe Textile Group is strengthening its business infrastructure by reconstructing its core system while capturing inbound demand in the Interior Fittings Segment and by expanding its lineup of new fabric mixtures and enhancing its QCD (quality, price, supply) overseas in the Automotive Textiles and Traffic Facilities Segment. Considering these circumstances, we plan to post net sales of ¥96,000 million, operating income of ¥2,600 million, ordinary income of ¥2,800 million, and net income attributable to owners of the parent of ¥1,300 million for the fiscal year ending May 31, 2020.

Progress of 5th Three-Year Medium-Term Management Plan “2020”

In June 2017, we embarked on our 5th three-year medium-term management plan “2020,” and this fiscal year was the second year. Business growth and the restructuring of our corporate governance system are the leading priorities in this management plan given the improper accounting treatments uncovered at Suminoe Textile of America Corporation.

► Restructuring of corporate governance

It is our belief that the first step to preventing a recurrence of this issue is to delve into the background of the issue and bring everything to light. Therefore our initial move to preventing human error is to rebuild our global core system to grasp earnings and inventory trends in a timely manner for use in decision-making by management. In addition, each department is required to report on a weekly and monthly basis using a standard companywide format so that management executives and employees can share information and thereby promote mutual communication. Furthermore, we are implementing “management patrols.” This consists of executives going out and visiting the frontlines and business sites. Through these measures, we are building a globally-shared platform to foster a corporate culture with consistent information recognition and open communication.

► Growth of business

We aim to flexibly address customer needs in a timely manner to grow our businesses. To this end, we are confidently tackling three themes: expansion of product lineups, strengthening of globalization, and development and sales of high value-added products. In particular, in the strengthening of globalization, we are rebuilding our growth platform from a long-term perspective.

Consolidated Numerical Targets

5th Three - Year Medium - Term Management Plan “2020”							
	FY2017 Result	FY2018		FY2019		FY2020	
		Original Forecast	Result	Original Forecast	Result	Original Forecast	Revised Forecast
Net Sales	96,038	97,500	97,872	100,000	98,617	102,000	96,000
Operating Income	1,297	2,800	2,247	3,100	3,118	3,450	2,600
Ordinary Income	1,364	2,950	2,358	3,350	2,956	3,750	2,800
Net Income Attributable to Owners of the Parent	26	1,500	1,083	1,900	467	2,200	1,300
ROE	0.1%	4.5%	3.2%	5.5%	1.4%	6.0%	4.5%

Note: The figures in the results are based on Japanese GAAP.

Global Business Operations of the Suminoe Textile Group



The Suminoe Textile Group has accelerated its overseas expansion, mainly into Asia and North and Central America, since 1994 when it established an overseas subsidiary in Thailand.

In August 2019, Suminoe Textile Co., Ltd. established a new company in Vietnam, which produces and sells electric carpets and blankets, and other textiles-based heating products. Electric carpets, which are among the Suminoe Textile Group’s key products in its functional materials business, have been produced in the existing manufacturing site in Suzhou, China. We have commenced operations of the new company in Vietnam, to strengthen the production and supply system of these products.

The Suminoe Textile Group is now operating its business in 14 sales and production sites, including the new company, in seven countries. Each site has been active in recruiting local employees, thereby striving to help create jobs in the region. In the future, we will continue to expand operations overseas, aiming at creating a globally optimized supply system.

Summary of new company in Vietnam

Name	Suminoe Textile Vietnam Co., Ltd.
Office	Dong Van III Industrial Zone, Hoang Dong Commune, Duy Tien District, Ha Nam Province, Vietnam
Established	August 2019
Capital	\$1,900,000-
Investment Ratio	Suminoe Textile Co., Ltd. 100%
Business Description	Producing and selling electric carpets and blankets, and other textiles-based heating products

Acquired JIS Q 9100 certification, an international quality management system standard in the aerospace field in Japan

Suminoe Textile Co., Ltd. acquired JIS Q 9100 certification for its aircraft carpet business.

The Company is intensifying its quality improvement efforts, so as to satisfy the needs of customers not only in Japan but also in overseas countries, by offering more reliable products.



Applied Standard	JIS Q 9100:2016
Certified Organization	Osaka First Sales Department, Functional Materials Business Division and Quality Assurance Department, Suminoe Textile Co., Ltd.
Controlling Address	11-20, Minami-Semba 3-Chome, Chuo-ku, Osaka 542-8504 Japan, Head Office of Suminoe Textile Co., Ltd.
Scope of Certification	Design, development, contract manufacturing, and sales of carpets for aircraft interiors

Merits of obtaining the certification

- Raising the level of quality
To be certified, organizations work to raise the level of quality by formulating operation processes in line with the international quality management system standard and conducting continuous improvement activities.
- Earning customer trust
Organizations strive to improve customer satisfaction though high-quality and stable manufacturing. Also, the certification can help lighten the workload of these organizations’ clients in conducting supplier audits.
- Expansion from Japan to overseas
Information on the registered certification is shared through an international database. This increases the appeal of certified organizations to overseas customer bases, thereby expanding opportunities for receipt of orders.

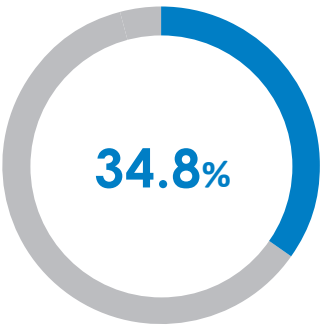
What is JIS Q 9100?

JIS Q 9100 is an international quality management system standard, which includes the requirements for ISO 9001 plus additional requirements specific to the aerospace industry. JIS Q 9100 is technically equivalent to the AS 9100 standard used in the United States and the EN 9100 standard in Europe, allowing mutual certification with these American and European standards. With increasing demand for higher quality in the aerospace industry, parts suppliers are becoming required to obtain JIS Q 9100 certification.

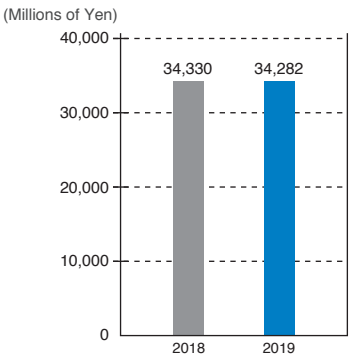
Interior Fittings

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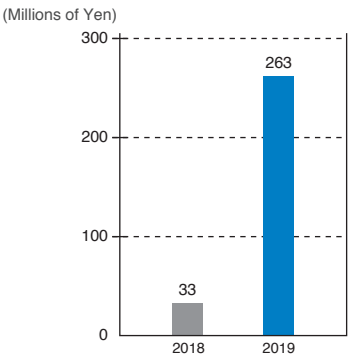
Contribution to Total Net Sales



Net Sales



Operating Income



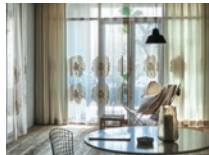
Roll Carpets



Carpet Tiles



Rugs and Mats



Curtains



Wallpaper



Plush Hand-woven
Curtains



Hand-woven Carpet
and Hooked Rugs

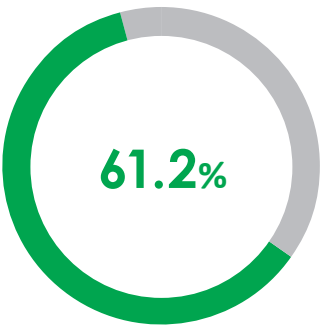


Nishijin Brocade
Fabric

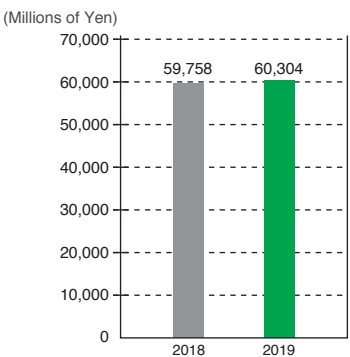
Automotive Textiles and Traffic Facilities

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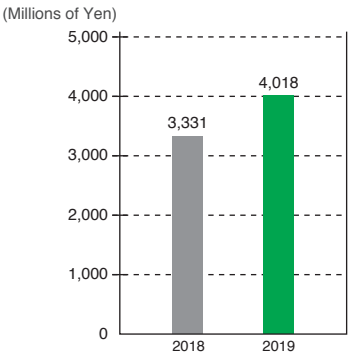
Contribution to Total Net Sales



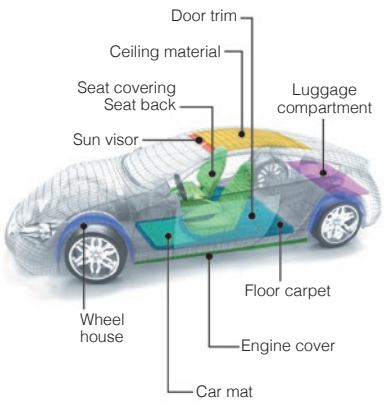
Net Sales



Operating Income



Automotive Textiles



Traffic Facilities



Train



Bus



Ship

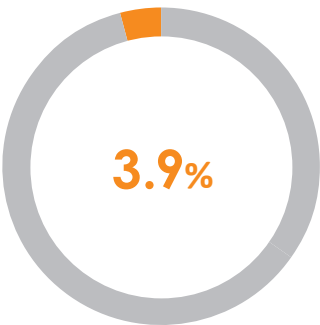


Aircraft

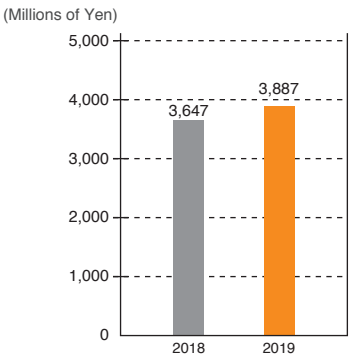
Functional Materials

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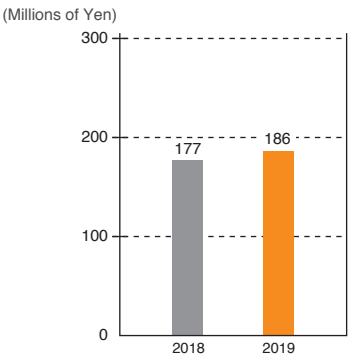
Contribution to Total Net Sales



Net Sales



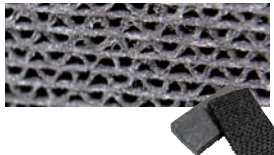
Operating Income



Electric Carpets



Tispa Deodorization
Related Brand



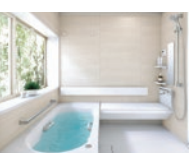
Air-filter Products



SUMITRON®
Continuous Fiber
Made from Recycled
PET bottles



OH TILE Olefin
Flooring Material



Floor Material
for Bathrooms



Kakidanomi
Persimmon Polyphenol
Supplements



SUMINOE Co., Ltd.

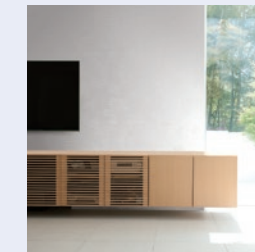


Roll Carpets



Carpet Tiles

RUNON CO., LTD.

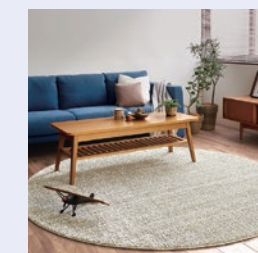


Wallpaper

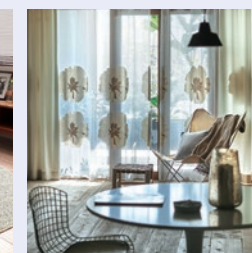
Suminoe Textile Co., Ltd.
Kyoto Traditional Art and Craft Factory



Nishijin Brocade Fabric

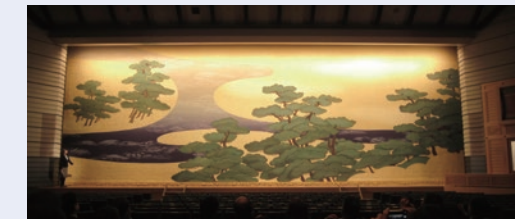


Rugs and Mats



Curtains

Tango Textile Co., Ltd.



Plush Hand-woven Curtains



Hand-woven Carpet and Hooked Rugs

At the Vanguard of Lifestyle Creation

Ever since 1891, when its carpets were supplied to the Imperial Diet Building on the occasion of its opening, the Suminoe Textile Group has created comfortable and safe living spaces as a pioneer in the Japanese interiors industry. Currently, our curtains and carpets are primarily marketed by SUMINOE Co., Ltd. and our wallpaper and paper for sliding doors by RUNON CO., LTD. The Suminoe Textile Group is committed to providing environmentally friendly products that feature both excellent design and functionality, and serving diverse customers by offering a wide variety of interior products for public facilities, hotels, schools, hospitals, and office buildings, as well as for general households.

In recent years, we have worked on the

production of eco-friendly products, under the theme of KKR+A, or Kenko (Health), Kankyo (Environment), Recycle and Amenity.

Environmentally Friendly Product at the World's Highest Level

ECOS® is a series of recycled carpet tiles produced using horizontal recycling technology. ECOS® has achieved a post-consumption recycled material usage rate of 84%.

Through our proprietary recycling system, recycled materials are created from old carpet tiles.



Business Overview for the Fiscal Year ended May 31, 2019

In the commercial-use carpets business, sales outperformed a year earlier. Sales of hook and roll carpets trended briskly attributable to new construction and renewal projects for hotels, commercial and other facilities, owing to inbound tourist demand. While exports of ECOS®, eco-friendly carpet tiles under the *horizontal recycling* system, faltered, its sales in Japan were flat year-on-year owing in part to large-scale projects. Sales of carpets, rugs and mats for general households undershot performance in the previous year reflecting a sluggish market environment. In the curtain business, sales of *Face*, contract curtains for medical, welfare, and educational institutions, trended briskly thanks to orders for large-scale projects. Sales of *U Life*® Vol. 9, curtains for general households which was

launched in July 2018, outperformed sales of the same series a year earlier. However, curtain sales underperformed the previous year owing to sluggish demand for *mode S*® Vol. 8 and other products. Sales of wall coverings and materials were on a par with the previous year reflecting mixed performance. Although sales faltered for mass-produced wall coverings, *Runon Mark II* Vol. 23, which were rolled out in February 2019, sales were brisk for wall coverings used in home improvements, *Runon Home* and fusuma (sliding doors) paper, *Runon Rin*. Consequently, the Interior Fittings Segment posted operating income of ¥263 million (U.S.\$2,413 thousand, up 691.6% year-on-year) on net sales of ¥34,282 million (U.S.\$314,514 thousand, down 0.1%).

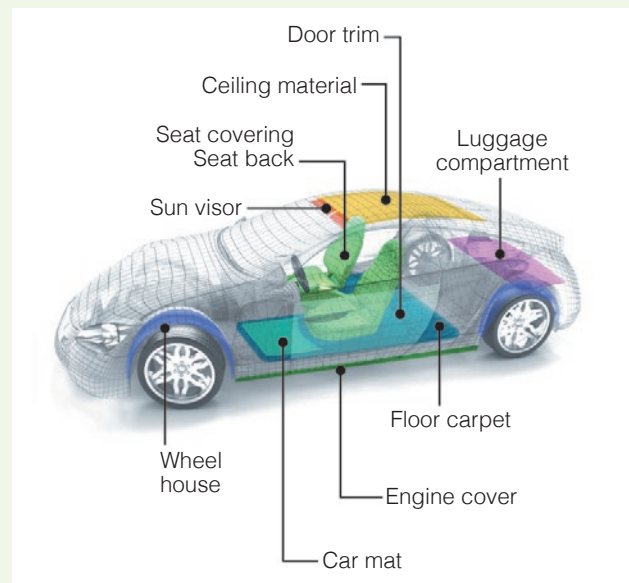


Our Expertise in Proposing Optimal Solutions as a Total Supplier

In 1931, Suminoe Textile supplied carpets and seat covering materials for automobiles assembled and manufactured in Japan for Ford Motor Company and General Motors. After World War II, the production of domestic automobiles increased, with our products adopted in these Japanese-made cars one after another.

At present, Suminoe Textile supplies its products to all Japanese automobile manufacturers. The greatest feature of our Company is that we can supply a total line of automotive textiles, from floors to ceilings, including headliners, seat covering materials, car mats, and floor carpets. Outside Japan, the Suminoe Textile Group has now expanded its overseas presence by setting up 12 manufacturing and sales sites in

six countries (the United States, Mexico, China, Thailand, Indonesia, and India), aiming at the creation of a globally optimized supply system.



Confidence Based on Our Experience as a Pioneer

In 1896, we succeeded in producing hand-woven moquette as a seat covering for the first time in Japan. This domestic moquette was adopted by Japan National Railways (now JR) for its seat coverings in 1899. Since then, we have supplied our products to JR, private railways and publicly operated transportation services, maintaining the top market share for more than a century. Currently, Suminoe Textile offers total proposals for seat coverings, curtains, wall materials, flooring materials and other interior materials for public transportation systems, such as Shinkansen bullet trains and other trains, buses, ships, and aircraft. We also deliver environmentally friendly products, including SUMICUBE® seat cushion material, which excels in terms of both safety and environmental performance.



SUMICUBE®
Seat Cushion Material
East Japan Railway Company: E235 series



Central Japan Railway Company, West Japan Railway Company : Shinkansen N700 series

Business Overview for the Fiscal Year ended May 31, 2019

In the automotive textiles business as a whole, both sales and operating income grew from the previous year. Overseas, sales in China benefited from an expansion in sales at Japanese automakers in China and were solid in Thailand as well. Operating income in the Americas rose year-on-year owing to brisk orders for new fabric mixtures in Mexico. Accordingly, overseas, sales and operating income increased versus a year earlier. In Japan, sales and operating income underperformed the previous year due to a wind down in the benefits from orders the Company received for interior fittings for new car models and negative impact from a substantial increase in raw material and distribution costs. In the traffic facilities business as a whole, although sales increased year-on-year, operating

income dropped. In the railway vehicle-related business, sales remained strong reflecting orders from Japan Railways (JR) Group and private railway companies for new vehicle and remodeling products. In addition, it also reflects brisk sales of non-textile products. Bus-related sales decreased from the previous year. This is due to a continued delay in recovery of the demand for large buses since the previous fiscal year, and weak demand for new bus production and remodeling. Meanwhile, airplane-related sales remained flat from the previous year. Consequently, the Automotive Textiles and Traffic Facilities Segment posted operating income of ¥4,018 million (U.S.\$36,862 thousand, up 20.6% year-on-year) on net sales of ¥60,304 million (U.S.\$553,248 thousand, up 0.9%).

In Pursuit of Endless Business Possibilities

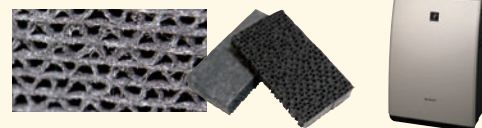
Transcending the boundaries of our traditional business segments, such as interior fittings and automotive textiles and traffic facilities, we have embarked on business targeting other fields and industries. Suminoe Textile has offered products that incorporate the unique technologies we have accumulated, such as *TRIPLE FRESH®* deodorizing filters and olefin bathroom flooring. In addition, the Company offers new value in the field of functional materials (SUMINOE BIOTECH®) based on biotechnology, in keeping with the theme of KKR+A, or Kenko (Health), Kankyo (Environment), Recycle and Amenity.

Tispa Deodorization Related Brand



The Tispa Series, Real Odor Deodorization without Disguising with a Scent, is stationary deodorizers for home use, making use of a deodorant filter.

Air-filter Products



TRIPLE FRESH® Bio is a concept of deodorizing filter where a biomimetic enzyme is invested in to a corrugate carrier. It continuously decomposes and deodorizes unpleasant odor components by oxidation-reduction reaction. This technology is incorporated into deodorizing filters used in air purifiers and other household appliances.

SUMITRON®

Continuous fiber made from recycled PET bottles



Electric Carpet

The main unit is produced by Suzhou Suminoe Textiles Co., Ltd.



Floor Material for Bathrooms

We have developed bath flooring made of eco-friendly olefin materials.



SUMINOE BIOTECH®

Functional materials based on biotechnology, and foods, processed foods, cosmetics, etc., making effective use of these materials.



Business Overview for the Fiscal Year ended May 31, 2019

In the deodorization and filter-related business, both sales and operating income grew year-on-year owing to the acquisition of new orders and brisk sales of deodorizing filters for heating equipment. In the electric carpet business, sales and operating income grew from the previous year thanks to an increase in the number of orders. Sales and operating income of building and civil engineering materials and *KEAT®* (Suminoe Tapered Filament) also expanded versus a year earlier thanks to steady sales. Meanwhile, sales

of floor materials for bathrooms was down, and sales and operating income was down due to weak demand for mats for school children, *Sumitron®*, polyester filament for dust mats, and aircraft carpets.

Consequently, the Functional Materials Segment posted operating income of ¥186 million (U.S.\$1,706 thousand, up 5.5% year-on-year) on net sales of ¥3,887 million (U.S.\$35,661 thousand, up 6.6%).

Financial Section

2019

Year ended May 31, 2019

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Consolidated Balance Sheet

Suminoe Textile Co., Ltd. and its Subsidiaries
May 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 7,754	¥ 9,411	\$ 71,138
Marketable securities (Notes 3 and 13)	9	8	83
Short-term investments (Note 13)	126	120	1,156
Receivables:			
Trade notes (Note 13)	3,637	3,776	33,367
Electronically recorded monetary claims (Note 13)	5,674	5,607	52,055
Trade accounts (Note 13)	14,544	13,674	133,431
Income taxes receivable	166	125	1,523
Other	1,309	1,454	12,009
Allowance for doubtful receivables	(30)	(17)	(275)
Inventories (Note 4)	15,666	16,634	143,725
Other	1,784	1,978	16,366
Total current assets	50,639	52,770	464,578
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	17,612	17,601	161,578
Buildings and structures	17,591	17,605	161,385
Machinery and equipment	19,144	21,464	175,633
Furniture and fixtures	2,554	2,699	23,431
Lease assets	1,883	2,174	17,275
Construction in progress	122	181	1,120
Total	58,906	61,724	540,422
Accumulated depreciation	(32,545)	(34,585)	(298,578)
Net property, plant and equipment	26,361	27,139	241,844
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 5 and 13)	6,451	8,374	59,183
Investments in associated companies (Note 13)	481	611	4,413
Deferred tax assets (Note 9)	1,588	1,137	14,569
Intangibles	1,422	1,085	13,046
Other	1,184	1,216	10,862
Allowance for doubtful accounts	(150)	(149)	(1,367)
Total investments and other assets	10,976	12,274	100,697
TOTAL	¥87,976	¥92,183	\$807,119

* Shares have been restated, as appropriate, to reflect a ten-to-one share consolidation effected on December 1, 2017.
See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 5 and 13)	¥ 8,300	¥12,243	\$ 76,147
Current portion of long-term debt (Notes 5 and 13)	1,952	1,873	17,908
Payables:			
Trade notes (Note 13)	3,529	3,181	32,376
Electronically recorded obligations (Note 13)	4,425	4,784	40,596
Trade accounts (Note 13)	11,664	11,391	107,009
Construction and other	787	810	7,220
Income taxes payable	459	550	4,211
Accrued expenses	2,318	2,372	21,266
Provision for loss on litigation		473	
Other (Note 9)	346	195	3,175
Total current liabilities	33,780	37,872	309,908
LONG-TERM LIABILITIES:			
Bonds payable (Notes 5 and 13)	1,500	500	13,761
Long-term debt (Notes 5 and 13)	7,954	6,017	72,972
Liability for retirement benefits (Note 6)	4,303	4,066	39,477
Retirement allowances for retirement benefits for directors and Audit & Supervisory Board members	95	382	872
Deferred tax liabilities (Note 9)	554	549	5,083
Deferred tax liabilities related to land revaluation excess	3,761	3,761	34,505
Other	758	494	6,954
Total long-term liabilities	18,925	15,769	173,624
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10, 14 and 16)			
EQUITY (Notes 5, 8 and 17):			
Common stock – authorized, 30,000,000 shares; issued, 7,682,162 shares in 2019 and 2018*	9,554	9,554	87,651
Capital surplus	2,652	2,652	24,330
Retained earnings	10,778	10,823	98,881
Treasury stock – at cost; 837,557 shares and 139,368 shares in 2019 and 2018, respectively*	(2,424)	(365)	(22,239)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	1,914	3,155	17,560
Deferred (loss) gain on derivatives under hedge accounting	(6)	12	(55)
Land revaluation excess	7,797	7,797	71,532
Foreign currency translation adjustments	602	601	5,523
Defined retirement benefit plan	(278)	(171)	(2,550)
Total	30,589	34,058	280,633
Noncontrolling interests	4,682	4,484	42,954
Total equity	35,271	38,542	323,587
TOTAL	¥87,976	¥92,183	\$807,119

Consolidated Statement of Income

Suminoe Textile Co., Ltd. and its Subsidiaries
Year Ended May 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET SALES	¥98,617	¥97,873	\$904,743
COST OF SALES	78,347	78,634	718,780
Gross profit	20,270	19,239	185,963
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	17,152	16,991	157,357
Operating income	3,118	2,248	28,606
OTHER INCOME (EXPENSES):			
Interest and dividend income	197	186	1,807
Rental income	252	233	2,312
Equity in (losses) earnings of associated companies	(31)	37	(284)
(Loss) gain on sales of investment securities	(151)	668	(1,385)
Interest expense	(316)	(275)	(2,899)
Sales discounts	(51)	(51)	(467)
Rental expense	(32)	(32)	(294)
Environmental expenses	(57)	(11)	(523)
Loss on sales and disposals of property, plant and equipment	(21)	(5)	(193)
Write-down of investment securities	(44)		(404)
Impairment loss for long-lived assets (Note 12)	(527)	(21)	(4,835)
Increase in provision for loss on litigation	(39)	(493)	(358)
Other - net	(86)	23	(789)
Other income (expenses) - net	(906)	259	(8,312)
Income before income taxes	2,212	2,507	20,294
INCOME TAXES (Note 9):			
Current	983	1,058	9,019
Deferred	(50)	(441)	(459)
Total income taxes	933	617	8,560
NET INCOME	1,279	1,890	11,734
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	812	806	7,450
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 467	¥ 1,084	\$ 4,284

	Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.r):		
Basic net income*	¥65.36	¥143.66
Cash dividends applicable to the year**	70.00	38.50

* Basic net income has been restated, as appropriate, to reflect a ten-to-one share consolidation effected on December 1, 2017.
 ** Cash dividends applicable to the year have not been restated as a result of the ten-to-one share consolidation effected on December 1, 2017.
 See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Suminoe Textile Co., Ltd. and its Subsidiaries
Year Ended May 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET INCOME	¥1,279	¥1,890	\$11,734
OTHER COMPREHENSIVE INCOME (LOSS) (Note 15):			
Unrealized (loss) gain on available-for-sale securities	(1,241)	119	(11,385)
Deferred (loss) on derivatives under hedge accounting	(3)	(3)	(28)
Foreign currency translation adjustments	(3)	98	(28)
Remeasurements of defined benefit plans	(107)	28	(982)
Share of other comprehensive (loss) gain in associates	(15)	24	(137)
Total other comprehensive (loss) income	(1,369)	266	(12,560)
COMPREHENSIVE (LOSS) INCOME	¥ (90)	¥2,156	\$ (826)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ (898)	¥1,303	\$ (8,239)
Noncontrolling interests	808	853	7,413

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Suminoe Textile Co., Ltd. and its Subsidiaries
Year Ended May 31, 2019

	Number of Shares of Common Stock Outstanding	Millions of Yen			
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
BALANCE, JUNE 1, 2017	75,437,010	¥9,554	¥2,652	¥10,267	¥ (362)
Net income attributable to owners of the parent				1,084	
Cash dividends, ¥38.50 per share*				(528)	
Purchase of treasury stock	(3,485)				(3)
Consolidation of shares	(67,890,731)				
Net change in the year					
BALANCE, MAY 31, 2018	7,542,794	9,554	2,652	10,823	(365)
Net income attributable to owners of the parent				467	
Cash dividends, ¥70.00 per share*				(512)	
Purchase of treasury stock	(698,189)				(2,059)
Net change in the year					
BALANCE, May 31, 2019	6,844,605	¥9,554	¥2,652	¥10,778	¥(2,424)

	Millions of Yen						Total	Noncontrolling Interests	Total Equity
	Accumulated Other Comprehensive Income								
	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Excess	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plan				
BALANCE, JUNE 1, 2017	¥3,036	¥(10)	¥7,797	¥550	¥(199)	¥33,285	¥4,114	¥37,399	
Net income attributable to owners of the parent						1,084		1,084	
Cash dividends, ¥38.50 per share*						(528)		(528)	
Purchase of treasury stock						(3)		(3)	
Consolidation of shares									
Net change in the year	119	22		51	28	220	370	590	
BALANCE, MAY 31, 2018	3,155	12	7,797	601	(171)	34,058	4,484	38,542	
Net income attributable to owners of the parent						467		467	
Cash dividends, ¥70.00 per share*						(512)		(512)	
Purchase of treasury stock						(2,059)		(2,059)	
Net change in the year	(1,241)	(18)		1	(107)	(1,365)	198	(1,167)	
BALANCE, May 31, 2019	¥1,914	¥ (6)	¥7,797	¥ 602	¥(278)	¥30,589	¥4,682	¥35,271	

	Thousands of U.S. Dollars (Note 1)			
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
BALANCE, MAY 31, 2018	\$87,651	\$24,330	\$99,294	\$ (3,349)
Net income attributable to owners of the parent			4,284	
Cash dividends, \$0.64 per share*			(4,697)	
Purchase of treasury stock				(18,890)
Net change in the year				
BALANCE, May 31, 2019	\$87,651	\$24,330	\$98,881	\$ (22,239)

	Thousands of U.S. Dollars (Note 1)						Total	Noncontrolling Interests	Total Equity
	Accumulated Other Comprehensive Income								
	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Excess	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plan				
BALANCE, MAY 31, 2018	\$28,945	\$ 110	\$71,532	\$5,514	\$(1,568)	\$312,459	\$41,137	\$353,596	
Net income attributable to owners of the parent						4,284		4,284	
Cash dividends, \$0.64 per share*						(4,697)		(4,697)	
Purchase of treasury stock						(18,890)		(18,890)	
Net change in the year	(11,385)	(165)		9	(982)	(12,523)	1,817	(10,706)	
BALANCE, May 31, 2019	\$17,560	\$(55)	\$71,532	\$5,523	\$(2,550)	\$280,633	\$42,954	\$323,587	

* Per share figures have not been restated as a result of the ten-to-one share consolidation effected on December 1, 2017.
See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Suminoe Textile Co., Ltd. and its Subsidiaries
Year Ended May 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
OPERATING ACTIVITIES:			
Income before income taxes	¥ 2,212	¥ 2,507	\$ 20,594
Adjustments for:			
Income taxes – paid	(1,284)	(1,074)	(11,780)
Income taxes – refunded	97	428	890
Depreciation and amortization	1,769	1,726	16,229
Impairment loss for long-lived assets	527	21	4,835
Provision for doubtful receivables and accounts	14	(2)	128
Increase in provision for loss on litigation	39	493	358
Loss on sales and disposals of property, plant and equipment	21	5	193
Gain on sales of investment securities	151	(668)	1,385
Equity in losses (earnings) of associated companies	31	(37)	284
Payment for loss on litigation	(533)		(4,890)
Changes in assets and liabilities:			
Increase in notes and accounts receivable – trade	(769)	(458)	(7,055)
Decrease (increase) in inventories	1,077	(225)	9,881
Increase in notes and accounts payable – trade	253	80	2,321
(Decrease) increase in liability for retirement benefits	(205)	104	(1,881)
(Increase) decrease in consumption tax receivable	(5)	264	(46)
(Decrease) increase in consumption tax payable	(57)	222	(523)
Decrease in other current assets	343	104	3,147
Increase (decrease) in other current liabilities	623	(344)	5,716
Other - net	457	374	4,193
Total adjustments	2,549	1,013	23,385
Net cash provided by operating activities	4,761	3,520	43,679
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	29	9	266
Purchases of property, plant and equipment	(1,105)	(951)	(10,138)
Purchase of intangible assets	(512)	(221)	(4,697)
Proceeds from sales and redemption of securities	543	4,437	4,982
Purchases of marketable and investment securities	(397)	(3,534)	(3,642)
Proceeds from acquisition of subsidiaries		17	
Other - net	(7)	(2)	(64)
Net cash used in investing activities	(1,449)	(245)	(13,293)
FINANCING ACTIVITIES:			
Net change in short-term bank loans	(4,195)	1,302	(38,486)
Proceeds from long-term debt	3,700	700	33,945
Repayments of long-term debt	(2,244)	(1,815)	(20,587)
Purchase of treasury stock	(2,059)	(3)	(18,890)
Proceeds from issuance of bonds payable	964		8,844
Dividends paid	(512)	(528)	(4,697)
Dividends paid to noncontrolling interests	(620)	(555)	(5,688)
Other - net		55	
Net cash provided by and used in financing activities	(4,966)	(844)	(45,559)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(3)	50	(28)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,657)	2,481	(15,201)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,411	6,930	86,339
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 7,754	¥ 9,411	\$ 71,138

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2018 consolidated financial statements to conform to the classifications used in 2019.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Suminoe Textile Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥109 to \$1, the approximate rate of exchange at May 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a.Consolidation - The accompanying consolidated financial statements as of May 31, 2019 include the accounts of the Company and all subsidiaries (collectively, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in two associated companies (three associated companies in 2018) are accounted for using the equity method.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over a period not exceeding 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b.Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

- Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent

company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material:

(a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development (R&D); and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of cost model of accounting.

c.Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

- ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associates' accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the GAAP in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material:

(a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

d.Business Combinations - Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts

recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

e.Cash Equivalents - Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits which mature within three months of the date of acquisition.

f.Inventories - Inventories are stated at the lower of cost, determined by the average cost method for finished products, purchased merchandise and work in process, and by the moving-average method for raw materials and supplies, or net selling value.

g.Marketable and Investment Securities - Marketable and investment securities are classified and accounted for, depending on management's intent, as available-for-sale securities, which are not classified as either of the aforementioned securities, and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity. Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h.Property, Plant and Equipment - Property, plant and equipment, except land, are stated at cost. Depreciation is computed over the estimated useful lives of the assets by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016. The range of estimated useful lives is principally from 3 to 50 years for buildings and structures and from 4 to 17 years for machinery and equipment. The useful lives for lease assets are

the terms of the respective leases.

Under the "Law of Land Revaluation," promulgated and revised on March 31, 1998 and 1999, respectively, the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of May 31, 2000. The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income from this revaluation. Continuous readjustment is not permitted, unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities.

As of May 31, 2019, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥2,558 million (\$23,468 thousand).

i.Long-Lived Assets - The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable.

An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j.Retirement Benefits - The Company and certain subsidiaries have both lump-sum severance payments and defined contribution pension plans for employees' retirement benefits.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and are recognized in profit or loss over 10 years, no longer than the expected average remaining service period of the employees.

The Company provides for the liability for directors and Audit and Supervisory Board members' retirement benefits at the amounts that would be required to be paid if all directors and Audit and Supervisory Board members retired at the consolidated balance sheet date. Amounts payable to directors and Audit and Supervisory Board members upon retirement are left to the approval of the Board of Directors.

k.R&D Costs - R&D costs are charged to income as incurred.

l. Leases - Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

m. Construction Contracts - Construction revenue and construction costs are recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the consolidated balance sheet date can be reliably measured, the outcome of the construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on such construction contracts.

n. Income Taxes - The provision for current income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences. On February 16, 2018, ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after June 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets of ¥622 million and deferred tax liabilities of ¥0 million which were previously classified as current assets and current liabilities, respectively, as of May 31, 2018, have been reclassified as investments and other assets and long-term liabilities, respectively, in the accompanying consolidated balance sheet.

Also, by adopting the ASBJ Statement No. 28, the method to treat taxable temporary difference pertaining to stock of subsidiaries is changed to a method where deferred tax liabilities are not recognized because the Company has not made a decision on or has no plan for selling stock of subsidiaries within the foreseeable future. The effect of this change is immaterial, therefore, the amount due to the effect is recognized under "Deferred income taxes" in the consolidated fiscal year ended May 31, 2019.

o. Foreign Currency Transactions - All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

p. Foreign Currency Financial Statements - The balance sheet accounts of foreign subsidiaries and associated companies are translated into Japanese yen at the current exchange rates as of the balance sheet date, except for equity, which is translated at historical rates. Revenue and expense accounts of the foreign subsidiaries and associated companies are translated into Japanese yen at the average exchange rates for the fiscal year. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

q. Derivatives and Hedging Activities - The Group uses foreign exchange forward contracts and interest rate swaps to manage its exposures to fluctuations in foreign exchange and interest rates. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and the resulting gains or losses are recognized in the consolidated statement of income, and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions, the "deferred hedge accounting method."

Foreign currency forward exchange contracts are utilized to hedge foreign currency exposures on overseas transactions. Trade payables and receivables denominated in foreign currencies are translated at the contracted rates, the "assigning method," if the forward contracts qualify for hedge accounting. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income, the "exceptional method."

Interest rate and currency swaps used to hedge long-term debts denominated in foreign currencies with variable interest rates, which qualify for hedge accounting and meet specific matching criteria, are not measured at market value. Rather, the long-term debts are recorded at yen amounts under the swap agreements and interest expense is calculated and recorded using fixed interest rates.

r. Per Share Information - Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

On December 1, 2017, the Company effected a ten-to-one share consolidation based on the resolution of the shareholders' meeting held on August 30, 2017. All prior-year share and per share figures, except cash dividends per share, have been restated to reflect the impact of the share consolidation and to provide data on a basis comparable to the year ended May 31, 2019. Such restatements include calculations regarding the Company's weighted-average number of common shares and basic net income per share.

The computations of net income per share of common stock are based on the weighted-average number of shares outstanding of 7,147,131 shares and 7,543,303 shares for the years ended May 31, 2019 and 2018, respectively.

Diluted net income per share is not disclosed because the Company has not issued potentially dilutive securities.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

Cash dividends per share applicable to the period for the fiscal year ended May 31, 2018 comprise interim dividends of ¥3.50 (before the consolidation) and year-end dividends of ¥35.00 (after the consolidation). If the consolidation had been taken into consideration, cash dividends per share applicable to the period for the fiscal year ended May 31, 2018 would be ¥70.00.

s. Accounting Changes and Error Corrections - Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

t. New Accounting Pronouncements

Revenue Recognition - On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue

Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018. The Company expects to apply the accounting standard and guidance for annual periods beginning on or after June 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

u. Changes in Presentation - "Decrease in other current assets" and "Increase (decrease) in other current liabilities," which had been included in "Other – net" under "Cash flows from operating activities" in the previous fiscal year, have been presented separately from the year ended May 31, 2019 due to their increased quantitative significance.

v. Abolishment of Directors' Retirement Benefit System - At the 129th Annual General Meeting of Shareholders held on August 30, 2018, the Company resolved to pay final retirement benefits following the abolishment of the directors' retirement benefit system (payment to be made at the time of each director's resignation) as part of the Company's review of its directors' compensation system. Accordingly, the Company reversed the total amount provided for "Retirement allowances for retirement benefits for directors and Audit & Supervisory Board members" and presented the unpaid amount of ¥247 million (\$2,266 thousand) for payment of final retirement benefits as "Other" under non-current liabilities. Meanwhile, some of the Company's subsidiaries in Japan have provided directors' retirement benefits at an amount required to be paid at the end of the current consolidated fiscal year under review, based on their internal regulations, in preparation for payment of retirement benefits for directors (including executive officers).

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of May 31, 2019 and 2018 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Current:			
Marketable securities	¥ 9	¥ 8	\$ 83
Total	¥ 9	¥ 8	\$ 83
Non-current:			
Marketable equity securities	¥ 6,308	¥ 8,227	\$ 57,871
Unlisted equity securities	143	147	1,312
Total	¥ 6,451	¥ 8,374	\$ 59,183

The cost and aggregate fair values of marketable and investment securities as of May 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Marketable equity securities	¥3,479	¥3,189	¥360	¥6,308
Marketable securities	9			9
Total	¥3,488	¥3,189	¥360	¥6,317

	Millions of Yen			
	2018			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Marketable equity securities	¥3,810	¥4,495	¥78	¥8,227
Marketable securities	8			8
Total	¥3,818	¥4,495	¥78	¥8,235

	Thousands of U.S. Dollars			
	2019			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Marketable equity securities	\$31,917	\$29,257	\$3,303	\$57,871
Marketable securities	83			83
Total	\$32,000	\$29,257	\$3,303	\$57,954

The information for available-for-sale securities which were sold during the years ended May 31, 2019 and 2018 is as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
May 31, 2019			
Available-for-sale:			
Equity securities	¥528	¥18	¥(164)
Total	¥528	¥18	¥(164)
May 31, 2018			
Available-for-sale:			
Equity securities	¥ 937	¥676	
Others	3,500		
Total	¥4,437	¥676	

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
May 31, 2019			
Available-for-sale:			
Equity securities	\$4,844	\$165	\$(1,505)
Total	\$4,844	\$165	\$(1,505)

4. INVENTORIES

Inventories as of May 31, 2019 and 2018 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Finished products and purchased merchandise	¥ 9,367	¥11,077	\$ 85,936
Work in process	2,011	1,789	18,450
Raw materials and supplies	4,288	3,768	39,339
Total	¥15,666	¥16,634	\$143,725

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans are principally composed of bank overdrafts. The weighted-average annual interest rates for short-term bank loans and notes discounted at May 31, 2019 and 2018 were 2.23% and 1.92%, respectively.

Long-term debt as of May 31, 2019 and 2018 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Loans from banks and other financial institutions: 2018: 0.42% - 10.50% (due: years ending May 31, 2019 - 2033) 2019: 0.41% - 10.70% (due: years ending May 31, 2020 - 2026)			
Collateralized	¥1,309	¥1,078	\$12,009
Unsecured	7,440	5,575	68,256
Obligations under finance leases	1,157	1,237	10,615
Total	9,906	7,890	90,880
Less current portion	1,952	1,873	17,908
Long-term debt, less current portion	¥7,954	¥6,017	\$72,972

Bonds as of May 31, 2019 and 2018 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
0.24%, due September 2021	¥ 500	¥500	\$4,587
0.30%, due January 2026	1,000		9,174
Total	¥1,500	¥500	\$13,761

Annual maturities of long-term debt, less current portion, as of May 31, 2019 were as follows:

Years Ending May 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥1,370	\$12,596
2022	2,966	27,211
2023	1,414	12,972
2024	162	1,486
2025 and thereafter	2,042	18,734
Total	¥7,954	\$72,972

Annual maturities of bonds, less current portion, as of May 31, 2019 were as follows:

Years Ending May 31	Millions of Yen	Thousands of U.S. Dollars
2021		
2022	¥ 500	\$ 4,587
2023		
2024		
2025 and thereafter	1,000	9,174
Total	¥1,500	\$13,761

The assets pledged as collateral for short-term bank loans and long-term debt as of May 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Land	¥3,929	¥3,929	\$36,046
Buildings and structures, less accumulated depreciation	503	543	4,615
Machinery and equipment, less accumulated depreciation	415	404	3,807
Investment securities	2,938	3,655	26,954
Total	¥7,785	¥8,531	\$71,422

Of the above property, plant and equipment, that provided as collateral for a factory foundation mortgage as of May 31, 2019 and 2018 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Land	¥3,929	¥3,929	\$36,046
Buildings and structures, less accumulated depreciation	503	543	4,615
Machinery and equipment, less accumulated depreciation	415	404	3,807
Total	¥4,847	¥4,876	\$44,468

The Company concluded a syndicated loan agreement (balances at May 31, 2019 and 2018 were ¥4,474 million (\$41,046 thousand) and ¥2,474 million, respectively), with Mizuho Bank, Ltd. as the Company's agent. This agreement is subject to the following financial covenants:

- (1) Equity as of the year-end and the second quarter-end of each fiscal year shall be more than ¥30,100 million (\$276,147 thousand) and more than 75% of the balance of the corresponding period of the previous year, on a consolidated basis.
- (2) Equity as of the year-end and the second quarter-end of each fiscal year shall be more than ¥22,800 million (\$209,174 thousand) and more than 75% of the balance of the corresponding period of the previous year, on a nonconsolidated basis.
- (3) Ordinary income as presented in accordance with Japanese GAAP shall not be a loss for two consecutive financial years from the fiscal year ended May 31, 2016, on a consolidated basis.
- (4) Ordinary income as presented in accordance with Japanese GAAP shall not be a loss for two consecutive financial years from the fiscal year ended May 31, 2016, on a nonconsolidated basis.

6. RETIREMENT BENEFITS

The Company and certain consolidated subsidiaries mainly have unfunded defined benefit plans and defined contribution plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Some consolidated subsidiaries of the Company adopt the simplified method for computing liability for retirement benefits and periodic benefit costs.

Defined Benefits

- (1) The changes in defined benefit obligation for the years ended May 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥2,987	¥3,048	\$27,404
Current service cost	117	115	1,073
Interest cost	21	21	193
Actuarial losses	202	7	1,853
Benefits paid	(213)	(204)	(1,954)
Balance at end of year	¥3,114	¥2,987	\$28,569

- (2) The changes in the net defined benefit liability accounted for by the simplified method were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥1,079	¥1,000	\$9,899
Periodic benefit cost	200	155	1,835
Benefits paid	(91)	(78)	(835)
Others	1	2	9
Balance at end of year	¥1,189	¥1,079	\$10,908

- (3) A reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of the years ended May 31, 2019 and 2018 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unfunded defined benefit obligation	¥4,303	¥4,066	\$39,477
Net liability arising from defined benefit obligation	¥4,303	¥4,066	\$39,477
	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Liability for retirement benefits	¥4,303	¥4,066	\$39,477
Net liability arising from defined benefit obligation	¥4,303	¥4,066	\$39,477

(4) The components of net periodic benefit costs for the years ended May 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Service cost	¥117	¥115	\$1,073
Interest cost	21	21	193
Recognized actuarial losses	48	47	440
Periodic benefit cost calculated by the simplified method	200	155	1,835
Net periodic benefit costs	¥386	¥338	\$3,541

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of May 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Actuarial losses	¥154	¥40	\$1,413
Total	¥154	¥40	\$1,413

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of May 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrecognized actuarial losses	¥400	¥246	\$3,670
Total	¥400	¥246	\$3,670

(7) Assumptions used for the years ended May 31, 2019 and 2018 were as follows:

	2019	2018
Discount rate	0.0%	0.8%

The expected compensation increase rates are based on the age-specific compensation increase index as of May 31, 2019 and 2018.

Defined Contribution

The amounts of required contributions to the defined contribution plans of the Company and consolidated subsidiaries for the years ended May 31, 2019 and 2018 were ¥162 million (\$1,486 thousand) and ¥157 million, respectively.

7. LEASE

As a lessor, the minimum rental commitments under noncancelable operating leases at May 31, 2019, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 124	\$ 1,138
Due after one year	4,756	43,633
Total	¥4,880	\$44,771

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of the legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and the legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are

presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On December 1, 2017, the Company effected a ten-to-one share consolidation based on the resolution of the shareholders' meeting held on August 30, 2017.

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% and 30.8% for the years ended May 31, 2019 and 2018, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of May 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Allowance for doubtful receivables and accounts	¥ 53	¥ 50	\$ 486
Liabilities for retirement benefits	1,336	1,350	12,257
Tax loss carryforwards	2,531	2,511	23,220
Investment securities	85	85	780
Inventories	394	387	3,615
Other	689	592	6,321
Total of tax loss carryforwards and temporary differences	5,088	4,975	46,679
Less valuation allowance for tax loss carryforwards	(1,749)		(16,046)
Less valuation allowance for temporary differences	(883)		(8,101)
Total valuation allowance	(2,632)	(2,388)	(24,147)
Total deferred tax assets	¥ 2,456	¥ 2,587	\$ 22,532
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥903	¥1,249	\$ 8,284
Land	393	393	3,606
Other	126	357	1,156
Total deferred tax liabilities	¥ 1,422	¥ 1,999	\$ 13,046
Net deferred tax assets	¥ 1,588	¥ 1,137	\$ 14,569
Net deferred tax liabilities	¥ 554	¥ 549	\$ 5,083

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of May 31, 2019, were as follows:

	Millions of Yen						
	One Year or Less	After One Year through Two Years	After Two Years through Three Years	After Three Years through Four Years	After Four Years through Five Years	After Five Years	Total
May 31, 2019							
Deferred tax assets relating to tax loss carryforwards	¥1			¥ 18	¥ 17	¥2,495	¥2,531
Less valuation allowances for tax loss carryforwards	(1)			(18)	(17)	(1,713)	(1,749)
Net deferred tax assets relating to tax loss carryforwards						782	782

	Thousands of U.S. Dollars						
	One Year or Less	After One Year through Two Years	After Two Years through Three Years	After Three Years through Four Years	After Four Years through Five Years	After Five Years	Total
May 31, 2019							
Deferred tax assets relating to tax loss carryforwards	\$9			\$ 165	\$ 156	\$22,890	\$23,220
Less valuation allowances for tax loss carryforwards	(9)			(165)	(156)	(15,716)	(16,046)
Net deferred tax assets relating to tax loss carryforwards						7,174	7,174

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended May 31, 2019, with the corresponding figures for 2018, is as follows:

	2019	2018
Normal effective statutory tax rate	30.6%	30.8%
Change in valuation allowance	9.4	(19.4)
Expenses not deductible for income tax purposes	3.6	2.1
Per capita levy	2.0	1.8
Foreign tax credit	2.4	1.8
Difference of tax rates for foreign subsidiaries	(2.4)	3.6
Equity in earnings of associated companies	1.4	0.3
Tax exemption of investments in affiliated companies	(5.5)	
Retained earnings of affiliated companies	0.4	0.5
Tax reconciliation	0.5	2.0
Other - net	(0.2)	1.1
Actual effective tax rates	42.2%	24.6%

10. RELATED PARTY DISCLOSURES

Transactions of the Company with associated companies for the years ended May 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Guarantees and similar items of loans payable to associates	¥2,359	¥2,339	\$21,642

11. R&D COSTS

R&D costs charged to income were ¥254 million (\$2,330 thousand) and ¥268 million for the years ended May 31, 2019 and 2018, respectively.

12. IMPAIRMENT LOSSES

For the year ended May 31, 2019, the Group recognized ¥527 million (\$4,835 thousand) of impairment losses as other expenses for a part of their operational assets ("Buildings and structures" ¥52 million (\$477 thousand), "Machinery and equipment" ¥409 million (\$3,752 thousand), "Lease assets" ¥20 million (\$183 thousand), other accounts ¥46 million (\$423 thousand)) because it was considered difficult to recover the investment amounts of these investments due to a decline in profitability, etc.

The recoverable value of operational assets was measured based on the net selling price, which was valued for the expected selling price based on the appraisal value.

For the year ended May 31, 2018, the Group recognized ¥21 million of impairment losses as other expenses for a part of their operational assets because it was considered difficult to recover the investment amounts of these investments due to a decline in profitability, etc.

The recoverable value of operational assets was measured based on the net selling price, but it was difficult to find an alternative use or sell to third parties, so it was valued based on the memorandum value.

13. FINANCIAL INSTRUMENTS

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly long-term debt, including bank loans, corporate bonds and lease obligations, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Short-term bank loans are used to fund the Group's ongoing operations. Derivatives are not used for speculative purposes, but to manage exposure to financial risks as described in Note 14.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables, such as trade notes, trade accounts and electronically recorded monetary claims, are exposed to customer credit risk. Receivables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

Marketable and investment securities, mainly the stocks of financial institutions, customers and suppliers of the Company, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes, trade accounts and electronically recorded obligations, are less than one year. Payables in foreign currencies are exposed to the

risk of fluctuation in foreign currency exchange rates. Short-term bank loans are used in trade transactions. Long-term debt and obligations of finance leases are used in raise funds for capital investments.

A part of such payables is exposed to market risks from changes in variable interest rates, and trade liabilities and loans are exposed to liquidity risk.

Derivatives mainly include foreign currency forward contracts, interest rate swaps and interest rate and currency swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables and from changes in interest rates. Please see Note 14 for more details about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Company manages and mitigates its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business sales department to identify the default risk of customers at an early stage. Also, subsidiaries of the Company manage credit risk based on the same guidelines.

The Company believes it has limited credit risk on derivative agreement transactions because it transacts with highly rated financial institutions.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk with forecasted transactions is hedged principally by forward foreign currency contracts. Interest rate swaps and interest rate and currency swaps are used to manage exposure to market risks from changes in interest rates of loans and bonds payable.

Marketable and investment securities are managed by monitoring the market values and financial position of issuers on a regular basis.

Derivatives have been utilized in accordance with internal guidelines that regulate the authorization and credit limit.

Liquidity risk management

The Company manages liquidity risk through adequate financial planning by the Finance Department of the Company.

Complementary information for fair value of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. The techniques include changing some factors, and the fair values may be changed by adopting different assumptions. In addition, the

contract amounts of derivatives in Note 14 do not directly indicate their market risk.

(4) Fair Values of Financial Instruments

(a) Fair value of financial instruments

May 31, 2019	Millions of Yen		
	Carrying Amount	Fair Value	Net Unrealized Gains/Losses
Cash and cash equivalents	¥ 7,754	¥ 7,754	
Short-term investments	126	126	
Notes receivable – trade	3,637	3,637	
Electronically recorded monetary claims	5,674	5,674	
Accounts receivable – trade	14,544	14,544	
Marketable securities and investment securities	6,317	6,317	
Total	¥38,052	¥38,052	
Notes payable – trade	¥ 3,529	¥ 3,529	
Electronically recorded obligations	4,425	4,425	
Accounts payable – trade	11,664	11,664	
Short-term bank loans	8,300	8,300	
Current portion of long-term debt	1,952	1,952	
Bonds payable	1,500	1,497	¥ 3
Long-term debt	7,954	7,884	70
Total	¥39,324	¥39,251	¥73
Derivatives	¥ 9	¥ 9	

May 31, 2018	Millions of Yen		
	Carrying Amount	Fair Value	Net Unrealized Gains/Losses
Cash and cash equivalents	¥ 9,411	¥ 9,411	
Short-term investments	120	120	
Notes receivable – trade	3,776	3,776	
Electronically recorded monetary claims	5,607	5,607	
Accounts receivable – trade	13,674	13,674	
Marketable securities and investment securities	8,235	8,235	
Total	¥40,823	¥40,823	
Notes payable – trade	¥ 3,181	¥ 3,181	
Electronically recorded obligations	4,784	4,784	
Accounts payable – trade	11,391	11,391	
Short-term bank loans	12,243	12,243	
Current portion of long-term debt	1,873	1,873	
Bonds payable	500	496	¥ 4
Long-term debt	6,017	5,920	97
Total	¥39,989	¥39,888	¥101
Derivatives	¥ (6)	¥ (6)	

May 31, 2019	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Net Unrealized Gains/Losses
Cash and cash equivalents	\$ 71,138	\$ 71,138	
Short-term investments	1,156	1,156	
Notes receivable – trade	33,367	33,367	
Electronically recorded monetary claims	52,055	52,055	
Accounts receivable – trade	133,431	133,431	
Marketable securities and investment securities	57,955	57,955	
Total	\$349,102	\$349,102	
Notes payable – trade	\$ 32,376	\$ 32,376	
Electronically recorded obligations	40,596	40,596	
Accounts payable – trade	107,009	107,009	
Short-term bank loans	76,147	76,147	
Current portion of long-term debt	17,908	17,908	
Bonds payable	13,761	13,734	\$ 27
Long-term debt	72,972	72,330	642
Total	\$360,769	\$360,100	\$669
Derivatives	\$ 83	\$ 83	

Assets

Cash and cash equivalents, notes and accounts receivable – trade and electronically recorded monetary claims

The fair values of cash and cash equivalents, notes and accounts receivable – trade and electronically recorded monetary claims approximate their carrying amounts, as these amounts are settled in a short period of time.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price on the stock exchange for equity instruments and at the quoted price obtained from financial institutions for certain debt instruments. Information on the fair values of marketable and investment securities by classification is included in Note 3.

Liabilities

Notes and accounts payable – trade, electronically recorded obligations, short-term bank loans and current portion of long-term debt

The fair values of notes and accounts payable – trade, electronically recorded obligations, short-term bank loans and current portion of long-term debt approximate their carrying amounts, as these amounts are settled in a short period of time.

Bonds payable

The fair values of bonds payable are determined by discounting the cash flows related to the bonds at the rates determined based on the remaining term of the bonds and credit risk.

Long-term debt

The fair values of long-term loans and lease obligations at fixed interest rates are determined by discounting the cash flows related to the loans at the Company's assumed corporate borrowing rates. For the portion of loans that are subjected to interest rate swaps, that qualify for hedge accounting, and that meet specific matching criteria, fair value is determined by discounting the cash flows related to the loans with the interest rate swaps at the Company's assumed corporate borrowing rates.

Derivatives

Information on the fair value of derivatives is included in Note 14.

(b) Carrying amounts of financial instruments whose fair values cannot be reliably determined are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Investments in associated companies	¥481	¥611	\$4,413
Unlisted equity securities	143	147	1,312

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

Millions of Yen		
May 31, 2019	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	¥ 7,754	
Short-term investments	126	
Notes receivable – trade	3,637	
Electronically recorded monetary claims	5,674	
Accounts receivable – trade	14,544	
Total	¥31,735	

Millions of Yen		
May 31, 2018	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	¥ 9,411	
Marketable securities	8	
Short-term investments	120	
Notes receivable – trade	3,776	
Electronically recorded monetary claims	5,607	
Accounts receivable – trade	13,674	
Total	¥32,596	

Thousands of U.S. Dollars		
May 31, 2019	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	\$ 71,138	
Short-term investments	1,156	
Notes receivable – trade	33,367	
Electronically recorded monetary claims	52,055	
Accounts receivable – trade	133,431	
Total	\$291,147	

Please see Note 5 for annual maturities of long-term debt, obligations under finance leases and bonds.

14. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative financial instrument contracts, in the normal course of business, to reduce its exposure to fluctuations in interest rates and foreign exchange rates. The Group utilizes interest rate swaps and interest rate currency swaps to hedge interest exposure on long-term debt. The Group also enters into foreign exchange forward contracts to hedge market risk from changes in foreign exchange rates associated with assets and liabilities denominated in foreign currencies. The Group does not hold or issue derivatives for trading purposes. Because the counterparties to these derivatives are limited to major financial institutions, the Group does not anticipate any losses arising from credit risk. Derivatives have been utilized in accordance with internal guidelines that regulate the authorization and the credit limit. Derivative transactions to which hedge accounting is applied as of May 31, 2019 and 2018 are as follows:

Millions of Yen				
At May 31, 2019	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts using assigning method:				
Selling U.S. dollars	Accounts receivable – trade	¥ 134		*1
Buying U.S. dollars	Accounts payable – trade	106		*1
Selling euros	Accounts receivable – trade	30		*1
Buying euros	Accounts payable – trade	60		*1
Buying Thai baht	Accounts payable – trade	16		*1
Buying Mexican pesos	Accounts payable – trade	318		*1
Foreign currency forward contracts using deferred hedge accounting method:				
Buying U.S. dollars	Accounts payable – trade	¥ 643		¥ (9)
Buying euros	Accounts payable – trade	21		(1)
Interest rate swaps using exceptional method: (fixed-rate payment, floating-rate receipt)				
	Long-term loans	¥3,034	¥2,994	*2

Millions of Yen				
At May 31, 2018	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts using assigning method:				
Selling U.S. dollars	Accounts receivable – trade	¥ 127		*1
Buying U.S. dollars	Accounts payable – trade	276		*1
Buying euros	Accounts payable – trade	61		*1
Foreign currency forward contracts using deferred hedge accounting method:				
Buying U.S. dollars	Accounts payable – trade	¥1,284		¥ (4)
Buying euros	Accounts payable – trade	37		(1)
Interest rate swaps using exceptional method: (fixed-rate payment, floating-rate receipt)				
	Long-term loans	¥1,074	¥1,034	*2

Thousands of U.S. Dollars				
At May 31, 2019	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts using assigning method:				
Selling U.S. dollars	Accounts receivable – trade	\$ 1,229		*1
Buying U.S. dollars	Accounts payable – trade	972		*1
Selling euros	Accounts receivable – trade	275		*1
Buying euros	Accounts payable – trade	550		*1
Buying Thai baht	Accounts payable – trade	147		*1
Buying Mexican pesos	Accounts payable – trade	2,917		*1
Foreign currency forward contracts using deferred hedge accounting method:				
Buying U.S. dollars	Accounts payable – trade	\$5,900		\$(83)
Buying euros	Accounts payable – trade	192		(9)
Interest rate swaps using exceptional method: (fixed-rate payment, floating-rate receipt)				
	Long-term loans	\$27,835	\$27,468	*2

*1.Foreign currency forward contracts are accounted for as part of accounts receivable and accounts payable. Therefore, the fair values of the contracts are included in the fair value of underlying accounts receivable and accounts payable.

*2.The portions of interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 13 is included with that of the hedged items (i.e., long-term debt).

The fair value of foreign currency forward contracts is measured using quoted prices obtained from financial institutions.

15. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended May 31, 2019 and 2018 were as follows:

		Millions of Yen	Thousands of U.S. Dollars
	2019	2018	2019
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ (1,777)	¥ 852	\$(16,303)
Reclassification adjustments to profit or loss	190	(676)	1,743
Amount before income tax effect	(1,587)	176	(14,560)
Income tax effect	346	(57)	3,175
Total unrealized gain on available-for-sale securities	(1,241)	119	(11,385)
Deferred gain (loss) on derivatives under hedge accounting:			
Losses arising during the year	(4)	(4)	(37)
Income tax effect	1	1	9
Total deferred loss on derivatives under hedge accounting	(3)	(3)	(28)
Foreign currency translation adjustments:			
Adjustments arising during the year	(3)	98	(28)
Remeasurements of defined benefit plans:			
Losses arising during the year	(202)	(7)	(1,853)
Reclassification adjustments to profit	48	47	440
Amount before income tax effect	(154)	40	(1,413)
Income tax effect	47	(12)	431
Total remeasurements of defined benefit plans	(107)	28	(982)
Share of other comprehensive income in associates:			
(Losses) gains arising during the year	(15)	24	(137)
Total other comprehensive income	¥ (1,369)	¥ 266	\$(12,560)

16. CONTINGENT LIABILITIES

At May 31, 2019, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees and similar items of loans payable to associates	¥2,359	\$21,642

17. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings as of May 31, 2019 was approved at the Company's shareholders' meeting held on August 29, 2019:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥35 (\$0.32) per share	¥240	\$2,202

18. SEGMENT INFORMATION

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are components for which separate financial information is available and whose operating results are reviewed regularly by the Board of Directors in order to determine allocation of resources and assess segment performance. The Group is organized by business operating units and subsidiaries, which are separated based on the products and services they provide. Each of these units and subsidiaries plan comprehensive strategies for business and perform business activities. Therefore, based on these business operating units and also taking account of the types of products and the similarities in markets, the reportable segments of the Group are divided into three segments: the interior fittings segment, the automotive textiles and traffic facilities segment and the functional materials segment. The interior fittings segment includes manufacturing and sales of carpets, curtains, wallpaper and other flooring materials. The automotive textiles and traffic facilities segment includes manufacturing and sales of interior materials for automobiles, trains, buses, ships, aircraft and other conveyances. The functional materials segment includes manufacturing and sales of electric carpets and related products, such as deodorizers and processing of silicon wafers for solar cells.

(2) Methods of Measurement for the Amounts of Sales, Profit, Assets and Other Items for Each Reportable Segment

The accounting policies of the segments are substantially the same as those described in significant accounting policies in Note 2. The profits of reportable segments correspond to operating income. The internal sales or transfers among segments are based on actual market prices.

(3) Information about Sales, Profit, Assets and Other Items by Reportable Segment

	Millions of Yen							
	2019							
	Reportable Segments				Others	Total	Reconciliations	Consolidated
	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total				
Sales:								
Sales to customers	¥34,282	¥60,304	¥3,887	¥98,473	¥144	¥98,617		¥98,617
Intersegment sales	724	7	2	733	172	905	¥ (905)	
Total	¥35,006	¥60,311	¥3,889	¥99,206	¥316	¥99,522	¥ (905)	¥98,617
Segment profit	¥ 263	¥ 4,018	¥ 186	¥ 4,467	¥ 79	¥ 4,546	¥ (1,428)	¥ 3,118
Segment assets	25,111	38,270	2,203	65,584	423	66,007	21,969	87,976
Other:								
Depreciation and amortization	320	1,193	77	1,590	25	1,615	154	1,769
Investments in associated companies accounted for by the equity method		481		481		481		481
Increase in property, plant and equipment and intangible assets	185	1,482	34	1,701	24	1,725	(42)	1,683

	Millions of Yen							
	2018							
	Reportable Segments				Others	Total	Reconciliations	Consolidated
	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total				
Sales:								
Sales to customers	¥34,330	¥59,758	¥3,647	¥97,735	¥138	¥97,873		¥97,873
Intersegment sales	672	8	8	688	182	870	¥ (870)	
Total	¥35,002	¥59,766	¥3,655	¥98,423	¥320	¥98,743	¥ (870)	¥97,873
Segment profit	¥ 33	¥ 3,331	¥ 177	¥ 3,541	¥ 68	¥ 3,609	¥ (1,361)	¥ 2,248
Segment assets	27,479	37,166	2,222	66,867	445	67,312	24,871	92,183
Other:								
Depreciation and amortization	343	1,140	90	1,573	20	1,593	133	1,726
Investments in associated companies accounted for by the equity method		611		611		611		611
Increase in property, plant and equipment and intangible assets	186	764	27	977	32	1,009	263	1,272

	Thousands of U.S. Dollars							
	2019							
	Reportable Segments				Others	Total	Reconciliations	Consolidated
	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total				
Sales:								
Sales to customers	\$314,514	\$553,248	\$35,661	\$903,423	\$1,320	\$904,743		\$904,743
Intersegment sales	6,642	64	18	6,724	1,579	8,303	\$ (8,303)	
Total	\$321,156	\$553,312	\$35,679	\$910,147	\$2,899	\$913,046	\$ (8,303)	\$904,743
Segment profit	\$ 2,413	\$ 36,862	\$ 1,706	\$ 40,981	\$ 726	\$ 41,707	\$ (13,101)	\$ 28,606
Segment assets	230,376	351,101	20,211	601,688	3,881	605,569	201,550	807,119
Other:								
Depreciation and amortization	2,936	10,945	706	14,587	229	14,816	1,413	16,229
Investments in associated companies accounted for by the equity method		4,413		4,413		4,413		4,413
Increase in property, plant and equipment and intangible assets	1,697	13,593	312	15,605	220	15,825	(385)	15,440

Note 1.Reconciliations of segment profit of ¥1,428 million (\$13,101 thousand) consist of elimination of intersegment transactions of ¥24 million (\$220 thousand) and corporate expenses unallocated to the respective reportable segments of ¥1,452 million (\$13,321 thousand). Corporate expenses unallocated to the respective reportable segments include the costs of the Administrative Department and the Development Department of the Company.

2.Reconciliations of segment assets of ¥21,969 million (\$201,550 thousand) consist of elimination of intersegment transactions of ¥265 million (\$2,431 thousand) and corporate assets unallocated to the respective reportable segments of ¥22,234 million (\$203,981 thousand). Corporate assets unallocated to the respective reportable segments mainly consist of surplus funds (cash, deposits and securities), long-term investments (investment securities) and assets of the Administrative Department of the Company.

(4) Information about Geographical Areas

	Millions of Yen				
	2019				
	Japan	North and Central America (U.S.A.)	Asia	Others	Total
For the year ended May 31, 2019					
Sales to customers	¥65,589	¥14,869 (11,859)	¥17,901	¥258	¥98,617
Property, plant and equipment	22,538	2,897	926		26,361

	Millions of Yen				
	2018				
	Japan	North and Central America (U.S.A.)	Asia	Others	Total
For the year ended May 31, 2018					
Sales to customers	¥65,732	¥15,121 (12,799)	¥16,674	¥346	¥97,873
Property, plant and equipment	22,615	3,456	1,068		27,139

	Thousands of U.S. Dollars				
	2019				
	Japan	North and Central America (U.S.A.)	Asia	Others	Total
For the year ended May 31, 2019					
Sales to customers	\$601,734	\$136,413 (108,798)	\$164,229	\$2,367	\$904,743
Property, plant and equipment	206,771	26,578	8,495		241,844

(5) Information about Impairment Losses of Fixed Assets by Reportable Segment

	Millions of Yen						
	2019						
	Reportable Segments				Others	Eliminations/ Corporate	Total
For the year ended May 31, 2019	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total			
	¥527			¥527			¥527

	Millions of Yen						
	2018						
	Reportable Segments				Others	Eliminations/ Corporate	Total
For the year ended May 31, 2018	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total			
	¥21			¥21			¥21

	Thousands of U.S. Dollars						
	2019						
	Reportable Segments				Others	Eliminations/ Corporate	Total
For the year ended May 31, 2019	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total			
	\$4,835			\$4,835			\$4,835

(6) Information about Goodwill by Reportable Segment

Disclosure is omitted since the aggregate values for the years ended May 31, 2019 and 2018 are immaterial.

(7) Information about Negative Goodwill by Reportable Segment

Not applicable.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Suminoe Textile Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Suminoe Textile Co., Ltd. and its subsidiaries as of May 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Suminoe Textile Co., Ltd. and its subsidiaries as of May 31, 2019 and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

August 29, 2019

Member of
Deloitte Touche Tohmatsu Limited

Company Network

(as of August 31, 2019)

Offices

Head Office, Osaka Branch & Osaka Showroom
11-20, Minami-Semba 3-Chome,
Chuo-ku, Osaka 542-8504
Phone: +81-6-6251-6801
Fax: +81-6-6251-0862

Tokyo Branch & Tokyo Showroom
BR Gotanda-Building, 30-4,
Nishi-Gotanda 2-Chome,
Shinagawa-ku, Tokyo 141-0031
Phone: +81-3-5434-2860
Fax: +81-3-5434-6542

Sales Offices

Sapporo, Sendai, Saitama, Chiba,
Yokohama, Shizuoka, Kanazawa,
Nagoya, Kyoto, Kobe, Okayama,
Hiroshima, Fukuoka

Factories

Nara, Shiga, Kyoto, Aichi, Ishikawa

R&D Center

11-20, Minami-Semba 3-Chome,
Chuo-ku, Osaka 542-8504
Phone: +81-6-6251-6839
Fax: +81-6-6251-6868

Technical Center

Kubota, Ando-cho, Ikoma-gun,
Nara 639-1064
Phone: +81-743-57-5441
Fax: +81-743-57-6410

Subsidiaries

Japan

SUMINOE Co., Ltd.
RUNON CO., LTD.
SUMINOE LOGISTICS Co., Ltd.
Suminoe Works Co., Ltd.
Sewing Hyogo Co., Ltd.
Suminoe Teijin Techno Co., Ltd.
Marunaka Souei Co., Ltd.
Suminoe Techno Co., Ltd.
Tango Textile Co., Ltd.
Teijin Tecloth Ltd.
Owari Seisen Co., Ltd.
Kansai Laboratory Co., Ltd.

Subsidiaries

USA

Suminoe Textile of America Corporation
Bondtex, Inc.

Mexico

Suminoe Textile de Mexico, S.A. de C.V.

China

SPM Automotive Textile Co., Ltd.
Suzhou Suminoe Koide Automotive
Accessories Co., Ltd.
Suminoe Textile Shanghai Co., Ltd.
Suzhou Suminoe Textiles Co., Ltd.

Thailand

T.C.H. Suminoe Co., Ltd.
Suminoe Koide (Thailand) Co., Ltd.

Indonesia

PT. Suminoe Surya Techno
PT. Sinar Suminoe Indonesia

India

Suminoe Teijin Techno Krishna India Pvt. Ltd.

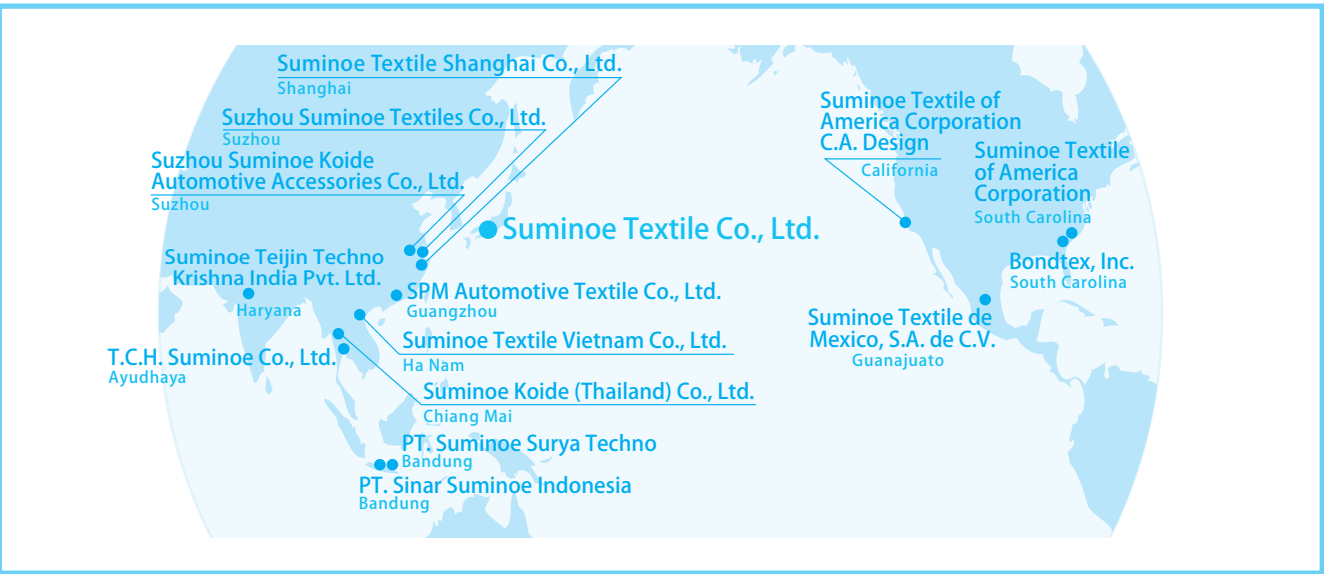
Vietnam

Suminoe Textile Vietnam Co., Ltd.

Associated Companies

Japan

Sumisho Airbag Systems Co., Ltd.
KST Co., Ltd.



Board of Directors and Corporate Auditors

(as of August 29, 2019)

Chairman and President

Ichizo Yoshikawa (Representative Director)

Senior Managing Directors

Yoshiaki Tanihara (Representative Director)
Hitoshi Iida (Representative Director)

Directors

Katsuyuki Sawai
Teppei Nagata
Haruo Shimizu
Takashi Yokota
Kohei Nomura

Corporate Auditors

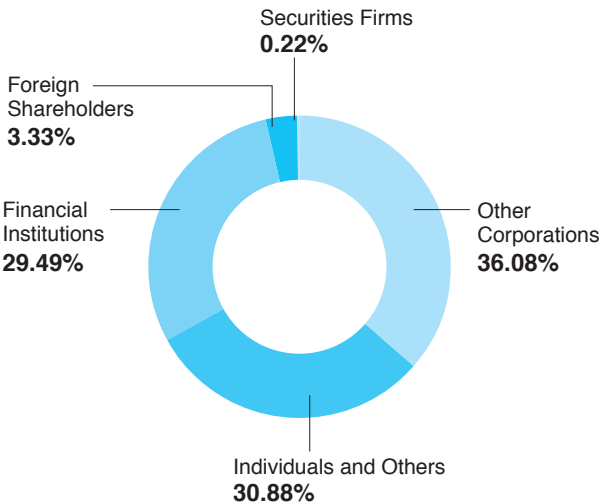
Kunihiko Kotaki
Masashi Hashimoto
Atsuhiko Sonoda

Investor Information

(as of May 31, 2019)

Founded:	1883
Incorporated:	December 25, 1913 (Suminoe Textile Joint-Stock Company)
Change of Organization:	December 26, 1930 (Suminoe Textile Co., Ltd.)
Capital:	¥9,554,173,950
Authorized Shares:	30,000,000
Issued Shares:	7,682,162
Shareholders:	4,082
Employees:	260 (Parent Company) 2,899 (Consolidated Basis)

Composition of Shareholders :



Major Shareholders:

(as of May 31, 2019)

Name	Number of Shares (Thousands)	Percentage of Total Shares Outstanding
Takashimaya Company, Limited	924	13.51
Nippon Life Insurance Company	501	7.33
HAYASHI TELEMPU HOLDINGS CORPORATION	466	6.81
Marubeni Corporation	366	5.36
Mizuho Bank, Ltd.	234	3.43
TOYOTA MOTOR CORPORATION	224	3.27
The Master Trust Bank of Japan, Ltd. (Trust account)	189	2.76
The Master Trust Bank of Japan, Ltd. (as trustee for Retirement Benefit Trust of UNITIKA LTD.)	178	2.61
MUFG Bank, Ltd.	174	2.55
Suminoe Textile Kyoeikai	150	2.20