



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

January 10, 2020

Listed company name Suminoe Textile Co., Ltd. Listed on the Tokyo Stock Exchange
Code number 3501 URL: <https://suminoe.co.jp/>
Representative (Title) Chairman and President (Name) Ichizo Yoshikawa
Responsible contact person (Title) Senior Operating Officer, General Manager, Corporate Planning Department (Name) Hiroaki Usugi
(Phone) +81-6-6251-6803
Scheduled date of filing of quarterly report: January 14, 2020 Scheduled date of dividend payment: February 10, 2020
Preparation of supplementary explanatory documents for quarterly financial results: No
Holding analyst meeting for quarterly financial results: Yes (For institutional investors and securities analysts)
(Amounts are rounded down to the nearest millions of yen) (Figures in brackets are negative)

1. Consolidated Financial Results for the 2nd Quarter of FY2020 (June 1, 2019 to November 30, 2019)

(1) Consolidated Operating Results (accumulation) (% change from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Q2 of FY ending May 31, 2020	48,602	(1.4)	1,190	(11.9)	1,130	(16.2)	474	(3.9)
Q2 of FY ended May 31, 2019	49,309	0.2	1,351	1.4	1,350	(10.9)	493	(43.4)

(Note) Comprehensive income Q2 of FY ending May 31, 2020: 1,133 millions of yen (395.7 %)
Q2 of FY ended May 31, 2019: 228 millions of yen ((89.4) %)

	Profit per share Basic	Profit per share Diluted
	Yen	Yen
Q2 of FY ending May 31, 2020	70.83	—
Q2 of FY ended May 31, 2019	67.20	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
Q2 of FY ending May 31, 2020	91,692	35,004	33.0
FY2019	87,975	35,271	34.8

(Reference) Shareholders' equity Q2 of FY ending May 31, 2020: 30,294 millions of yen FY2019: 30,588 millions of yen

2. Dividend Information

	Dividend per share				
	First quarter	Second quarter	Third quarter	End of the year	Annual
	Yen	Yen	Yen	Yen	Yen
FY2019	—	35.00	—	35.00	70.00
FY2020	—	35.00	—	—	—
FY2020 (Forecast)	—	—	—	35.00	70.00

(Note) Revision of the latest dividend forecast: No

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

(% change from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share Basic
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	96,000	(2.7)	2,600	(16.6)	2,800	(5.3)	1,300	178.3	196.34

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

*Notes

- (1) Major changes in significant consolidated subsidiaries during the period (changes in specified subsidiaries accompanying change in the scope of consolidation): No
- (2) Adoption of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, financial estimates and restatements
 - (i) Changes in accounting policies due to revisions of accounting standards: Yes
 - (ii) Changes in accounting policies other than (i) above: No
 - (iii) Changes in financial estimates: No
 - (iv) Restatements of financial statements: No

(4) Number of shares issued (common stock)

- (i) Number of shares issued at the end of the period (including treasury stock)
- (ii) Number of treasury shares at the end of the period
- (iii) Average number of shares outstanding during the period (quarterly consolidated cumulative period)

Q2 of FY2020	7,682,162 shares	FY2019	7,682,162 shares
Q2 of FY2020	1,149,246 shares	FY2019	837,557 shares
Q2 of FY2020	6,697,034 shares	Q2 of FY2019	7,347,963 shares

(Note) The summary of quarterly financial results is outside the scope of quarterly review by a certified public accountant or an accounting firm.

(Note) Explanation on the appropriate use of forecasts and other special issues

(Note on the forward-looking statements)

The forward-looking statements in this document concerning forecasts of performance, etc. are based on currently available information, and contain uncertain factors. The actual performance may be significantly different from the forecasts due to various factors.

Table of contents of attached document

1. Qualitative information for the second quarter of the fiscal year under review.....	P. 2
(1) Explanation of business results	P. 2
(2) Explanation of financial position	P. 5
(3) Explanation of future forecast information including forecast of consolidated business results	P. 5
2. Consolidated quarterly financial statements and major notes.....	P. 6
(1) Consolidated quarterly balance sheet	P. 6
(2) Consolidated quarterly statement of income and comprehensive income	P. 8
Consolidated quarterly statement of income	
(The second quarter of FY2020).....	P. 8
Consolidated quarterly statements of comprehensive income	
(The second quarter of FY2020).....	P. 9
(3) Consolidated quarterly statement of cash flows.....	P. 10
(4) Major notes on consolidated quarterly financial statements	P. 12
(Notes on assumption of going concern)	P. 12
(Notes on significant changes in shareholders' equity)	P. 12
(Changes in accounting policies)	P. 12
(Segment information)	P. 13

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

(1) Explanation of business results

During the second quarter of the consolidated fiscal year under review, although the employment and income environments were robust, the outlook remained unclear due to a slowdown of the economy on a global scale resulting from concerns toward intensified US-China trade friction and the UK's exit from the EU.

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

In the automotive industry, output in the domestic market has been declining since October compared to the previous year, while demand in overseas markets contracted as the impact of the slowing Chinese market due to the US-China trade friction spread to the European and Asian economies.

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

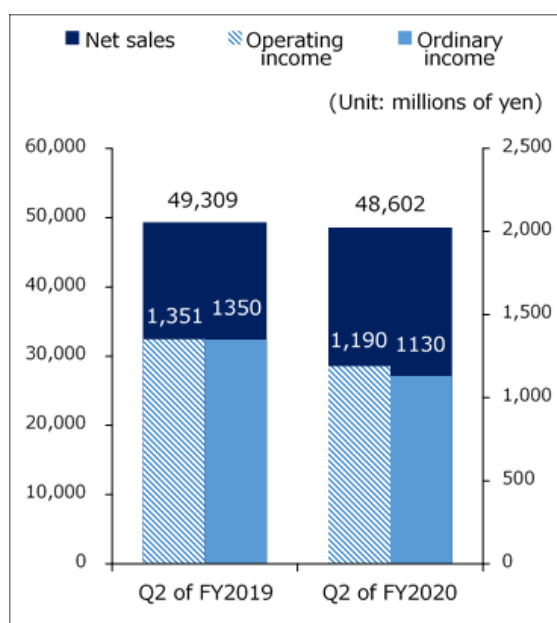
Restructuring of corporate governance	1. Review of financial results management system
	2. Restructuring internal control system
Growth of business	1. Expansion of product lineups
	2. Strengthening of globalization
	3. Development and sales of high value-added products

In the Interior Fittings Segment, the Company is actively capturing businesses with hotels and commercial facilities as well as demand from offices on the back of demand driven by inbound tourism and the 2020 Tokyo Olympic and Paralympic Games. At the same time, to secure profits the Company is identifying and focusing on products with higher profitability. The Company is also making efforts to enhance sales of curtains and wall coverings and materials. In the Automotive Textiles and Traffic Facilities Segment, efforts are being made to develop technologies and increase orders received for non-textile products such as artificial leather and to reduce costs through the optimization of material procurement and the places of production for globally marketed cars in the automotive textiles business, while in the traffic facilities business, the Company is striving to increase sales of not only conventional fabric materials but also seat cushion materials and safety products.

In the Functional Materials Segment, preparations are being made to launch a plant in a new subsidiary that was established in Vietnam to stabilize the supply chain, in addition to the sole manufacturing base the Company had in China.

For the entire Group, we are working on reconstructing our core system and raising the accuracy of consolidated performance management, in order to upgrade our business management structure. We will continue working steadily on building a foundation for business growth.

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



Net sales decreased by 1.4% year on year to 48,602 millions of yen, reflecting a combination of the stagnant automotive-related sales abroad affected by the global economic environment and robust sales in the Interior Fittings Segment and Functional Materials Segment.

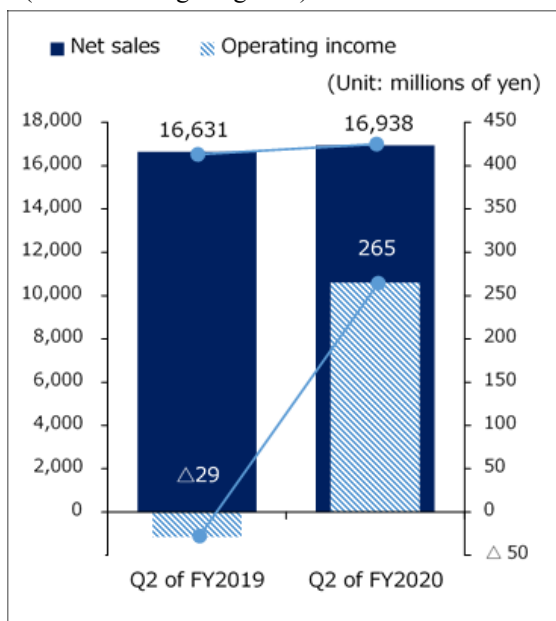
Operating income declined by 11.9% year on year to 1,190 millions of yen on the back of a drop in sales and an increase in depreciation related to the restructuring of our core system.

Ordinary income declined by 16.2% year on year to 1,130 millions of yen, and profit attributable to owners of parent declined by 3.9% year on year to 474 millions of yen.

The performance by segment is as described below.

Segments	Net sales		Operating income	
	Amount (Millions of Yen)	YY Change (%)	Amount (Millions of Yen)	YY Change (%)
Interior Fittings	16,938	1.8	265	—
Automotive Textiles and Traffic Facilities	28,824	(3.4)	1,609	(13.1)
Functional Materials	2,763	0.1	171	(12.3)
Other	74	4.5	35	(18.0)
Total	48,602	(1.4)	2,081	1.0
Adjustment	—	—	(890)	—
Consolidated	48,602	(1.4)	1,190	(11.9)

(Interior Fittings Segment)



Net sales rose 1.8% year on year to 16,938 millions of yen helped by strong orders for commercial carpets and curtains for office buildings, commercial facilities, and hotels. Despite rising costs of materials and logistics, operating income ended at 265 millions of yen (operating loss of 29 millions of yen in the same period of the previous year) on the back of revised sales prices of products and a focus on products with high margins.

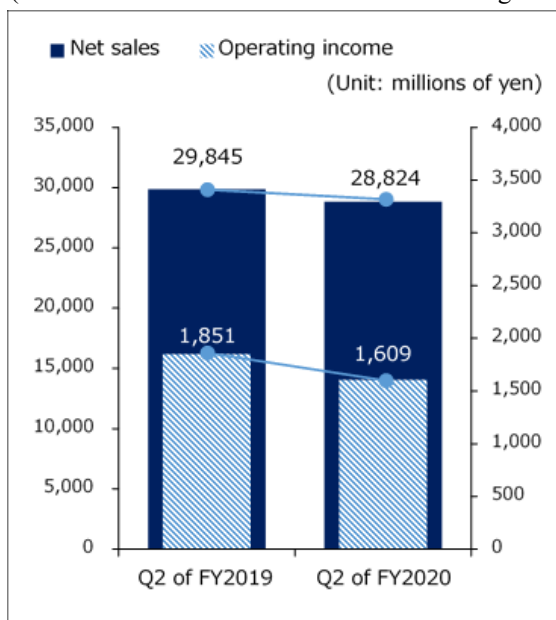
Regarding commercial carpets, overseas exports of carpet tiles contracted, although their domestic sales remained robust due in part to large properties. Sales of roll carpets rose 6% year on year as a result of an increase in orders received for accommodation and commercial facilities in response to inbound tourism-driven demand.

Sales of household carpets shrank 15% year on year as the Company identified and focused on products with higher profitability as it placed importance on profit margins.

Sales of curtains grew 10% year on year on the back of the strong sales of *U Life® Vol. 9* for general households, and *Face* for medical, welfare, and educational institutions, and the launch of *mode S® Vol. 9*.

Sales of wall coverings and materials increased 8% year on year on account of the solid sales of wallpapers and the significant growth in sales of *fusuma* (sliding door) paper due to last-minute demand prior to the tax hike.

(Automotive Textiles and Traffic Facilities Segment)

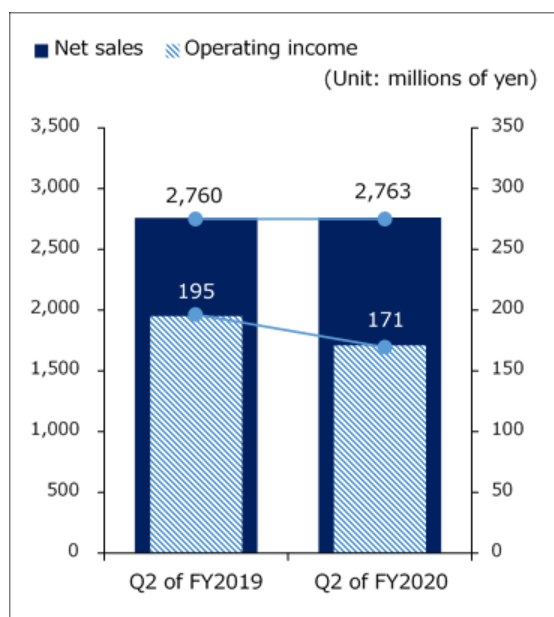


In the traffic facilities business, sales for railways and buses were robust, although automotive-related sales decreased due to the globally weak sales by Japanese car makers. As a result, net sales shrank by 3.4% year on year to 28,824 millions of yen and operating income shrank by 13.1% year on year to 1,609 millions of yen.

Domestic automotive-related sales dropped 3% year on year due to weak sales of car models for which orders had been received. Overseas sales shrank 6% year on year reflecting smaller sales especially in China, India, and Thailand which were attributable to the global decline in automobile production due to the prolonged US-China trade friction.

In the traffic facilities business, there was an increase in orders received from railways and buses, whose introduction of new carriages and periodic repair work plans had returned to normal levels. Non-textile products such as safety products and seat cushion material *SUMICUBE®* also contributed to sales.

(Functional Materials Segment)



Sales of electric carpets, our core, seasonal product, shrank due to the change to their shipment timing to the third quarter on the back of a warm winter. Net sales were unchanged year on year at 2,763 million yen, as orders received for *KEAT*®, yarns for brushes, decreased, while adoption of materials for civil engineering increased.

Operating income declined by 12.3% year on year to 171 millions of yen due to a rise in manufacturing costs such as for trial production.

(2) Explanation of financial position

(i) Financial position

Total assets at the end of the second consolidated accounting quarter under review amounted to 91,692 millions of yen, up 3,716 millions of yen from the end of the previous fiscal year, due to factors such as an increase in leased assets as a result of the application of IFRS 16 Leases and an increase in electronically recorded monetary claims - operating since the last day of the second consolidated accounting quarter under review was a holiday.

Liabilities grew to 56,687 millions of yen, up 3,983 millions of yen, due to factors such as an increase in electronically recorded obligations - operating and an increase in Short-term loans payable.

Net assets shrank to 35,004 millions of yen, down 266 millions of yen, due to drops in shareholders' equity following the share buyback.

(ii) Cash flows

Cash and cash equivalents at the end of second quarter of the consolidated fiscal year amounted to 7,669 millions of yen, down 85 millions of yen from the end of the previous fiscal year. A summary of the cash flow situation is provided as follows:

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 2,408 millions of yen (350 millions of yen used in the same period of the previous year) due to an increase in notes and accounts payable-trade.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 1,335 millions of yen (1,163 millions of yen used in the same period of the previous year) due to purchase of property, plant, and equipment.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 1,076 millions of yen (3,152 millions of yen used in the same period of the previous year) due to the acquisition of treasury shares.

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

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

2. Consolidated quarterly financial statements and major notes

(1) Consolidated quarterly balance sheet

(Unit: millions of yen)

	FY2019 (As of May 31, 2019)	Q2 of FY2020 (As of November 30, 2019)
Assets		
Current assets		
Cash and deposits	7,880	7,821
Notes and accounts receivable-trade	18,180	18,922
Electronically recorded monetary claims - operating	5,673	7,654
Merchandise and finished goods	9,367	9,982
Work in process	2,011	1,733
Raw materials and supplies	4,287	3,504
Income taxes receivable	166	71
Others	3,100	2,731
Allowance for doubtful accounts	(29)	(32)
Total current assets	50,638	52,389
Non-current assets		
Property, plant and equipment		
Land	17,611	17,608
Other, net	8,749	9,882
Total property, plant and equipment	26,361	27,490
Intangible assets	1,421	1,558
Investments and other assets		
Investment securities	6,932	7,924
Deferred tax assets	1,587	1,203
Other	1,184	1,283
Allowance for doubtful accounts	(150)	(157)
Total investments and other assets	9,554	10,254
Total non-current assets	37,336	39,303
Total assets	87,975	91,692

(Unit: millions of yen)

	FY2019 (As of May 31, 2019)	Q2 of FY2020 (As of November 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,193	15,977
Electronically recorded obligations - operating	4,425	5,719
Short-term loans payable	9,755	11,115
Income taxes payable	458	563
Other	3,946	4,630
Total current liabilities	33,779	38,006
Non-current liabilities		
Bonds payable	1,500	1,500
Long-term loans payable	7,293	6,724
Deferred tax liabilities	554	341
Provision for directors' retirement benefit	95	98
Net defined benefit liability	4,303	4,303
Other	5,178	5,714
Total non-current liabilities	18,924	18,681
Total liabilities	52,704	56,687
Net assets		
Shareholders' equity		
Capital stock	9,554	9,554
Capital surplus	2,652	2,651
Retained earnings	10,777	11,012
Treasury shares	(2,423)	(3,387)
Total shareholders' equity	20,560	19,831
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,913	2,542
Deferred gains or losses on hedges	(6)	5
Revaluation reserve for land	7,797	7,797
Foreign currency translation adjustment	601	373
Remeasurements of defined benefit plans	(277)	(256)
Total accumulated other comprehensive income	10,028	10,463
Non-controlling interests	4,682	4,710
Total net assets	35,271	35,004
Total liabilities and net assets	87,975	91,692

(2) Consolidated quarterly statement of income and comprehensive income

Consolidated quarterly statement of income

(The second quarter of FY2020)

(Unit: millions of yen)

	Q2 of FY2019 (June 1, 2018 to November 30, 2018)	Q2 of FY2020 (June 1, 2019 to November 30, 2019)
Net sales	49,309	48,602
Cost of sales	39,246	38,594
Gross profit	10,062	10,007
Selling, general and administrative expenses	8,710	8,816
Operating income	1,351	1,190
Non-operating income		
Interest income	5	8
Dividend income	84	84
Real estate rent	118	134
Other	111	77
Total non-operating income	320	305
Non-operating expenses		
Interest expenses	165	143
Share of loss of entities accounted for using equity method	31	53
Foreign exchange losses	18	86
Rent expenses on real estates	16	16
Provision for loss on litigation	38	—
Other	52	64
Total non-operating expenses	321	365
Ordinary income	1,350	1,130
Extraordinary income		
Gain on sales of non-current assets	11	2
Gain on sales of investment securities	—	103
Total extraordinary income	11	105
Extraordinary loss		
Loss on sales and retirement of non-current assets	14	26
Total extraordinary loss	14	26
Profit before income taxes	1,347	1,210
Income taxes - current	505	527
Income taxes - deferred	8	(53)
Total income taxes	513	473
Profit	833	736
Profit attributable to non-controlling interests	339	262
Profit attributable to owners of parent	493	474

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

(Unit: millions of yen)

	Q2 of FY2019 (June 1, 2018 to November 30, 2018)	Q2 of FY2020 (June 1, 2019 to November 30, 2019)
Profit	833	736
Other comprehensive income		
Valuation difference on available-for-sale securities	(626)	628
Deferred gains or losses on hedges	13	10
Foreign currency translation adjustment	19	(265)
Remeasurements of defined benefit plans, net of tax	16	21
Share of other comprehensive income of entities accounted for using equity method	(27)	1
Total other comprehensive income	(605)	396
Comprehensive income	228	1,133
Comprehensive income attributable to:		
Owners of parent	(97)	908
Non-controlling interests	326	224

(3) Consolidated quarterly statement of cash flows

	(Unit: millions of yen)	
	Q2 of FY2019 (June 1, 2018 to November 30, 2018)	Q2 of FY2020 (June 1, 2019 to November 30, 2019)
Cash flows from operating activities		
Profit before income taxes	1,347	1,210
Depreciation	877	966
Increase (decrease) in net defined benefit liability	2	29
Increase (decrease) in provision for directors' retirement benefits	(291)	2
Increase (decrease) in allowance for doubtful accounts	2	9
Increase (decrease) in provision for loss on litigation	38	—
Interest and dividend income	(90)	(93)
Interest expenses	165	143
Share of loss (profit) of entities accounted for using equity method	31	53
Loss (gain) on sales and retirement of non-current assets	2	23
Loss (gain) on sales of investment securities	—	(103)
Decrease (increase) in notes and accounts receivable-trade	(2,321)	(3,032)
Decrease (increase) in inventories	13	259
Increase (decrease) in notes and accounts payable-trade	70	2,338
Decrease (increase) in consumption taxes refund receivable	19	13
Increase (decrease) in accrued consumption taxes	(89)	47
Decrease (increase) in other current assets	554	323
Increase (decrease) in other current liabilities	162	677
Other	374	(123)
Subtotal	869	2,748
Interest and dividend income received	159	93
Interest expenses paid	(165)	(145)
Payments for loss on litigation	(531)	—
Income taxes paid	(778)	(387)
Income taxes refund	96	100
Net cash provided by (used in) operating activities	(350)	2,408
Cash flows from investing activities		
Payments into time deposits	(126)	(150)
Proceeds from withdrawal of time deposits	120	124
Purchase of securities	(11)	(9)
Proceeds from sales and redemption of securities	14	11
Purchase of property, plant and equipment	(653)	(993)
Proceeds from sales of property, plant and equipment	10	67
Purchase of intangible assets	(187)	(280)
Purchase of investment securities	(331)	(8)
Proceeds from sales and redemption of investment securities	0	175
Purchase of shares of subsidiaries and associates	—	(272)
Payments of loans receivable	(0)	(2)
Collection of loans receivable	1	1
Net cash provided by (used in) investing activities	(1,163)	(1,335)

(Unit: millions of yen)

	Q2 of FY2019 (June 1, 2018 to November 30, 2018)	Q2 of FY2020 (June 1, 2019 to November 30, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(278)	1,627
Repayments of long-term loans payable	(586)	(721)
Repayments of lease obligations	(299)	(448)
Purchase of treasury shares	(1,454)	(971)
Cash dividends paid	(263)	(239)
Cash dividends paid to non-controlling interests	(270)	(323)
Net cash provided by (used in) financing activities	(3,152)	(1,076)
Effect of exchange rate change on cash and cash equivalents	(19)	(82)
Net increase (decrease) in cash and cash equivalents	(4,685)	(85)
Cash and cash equivalents at beginning of period	9,411	7,754
Cash and cash equivalents at end of period	4,725	7,669

(4) Major notes on consolidated quarterly financial statements

(Notes on assumption of going concern)

Not applicable.

(Notes on significant changes in shareholders' equity)

In accordance with the resolution approved at the Board of Directors' meeting held on January 11, 2019, the Company acquired 557,500 treasury shares while disposing of 2,750 treasury shares as restricted stock compensation in accordance with a resolution at the Board of Directors meeting on August 29, 2019. As a result, treasury shares increased 963 millions of yen, including an increase due to acquisition of odd shares, during the second quarter of the fiscal year ending May 31, 2020, and stood at 3,387 millions of yen at the end of the second quarter of the fiscal year ending May 31, 2020.

(Changes in accounting policies)

(Application of IFRS 16 Leases)

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

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

(Segment information)

I Q2 of FY2019 (June 1, 2018 to November 30, 2018)

Information on net sales and income or loss by reportable segment

(Unit: millions of yen)

	Reportable Segments				Other (Note 1)	Total	Adjustment (Note 2)	Figures in consolidated quarterly statement of income (Note 3)
	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total				
Net sales								
Net sales to outside customers	16,631	29,845	2,760	49,237	71	49,309	—	49,309
Inter-segment sales and transfers	367	4	1	372	88	460	(460)	—
Total	16,998	29,850	2,761	49,610	159	49,769	(460)	49,309
Segment income (loss)	(29)	1,851	195	2,017	43	2,061	(709)	1,351

- (Note) 1. *Other* represents businesses that are not included in reportable segments, such as the physical property and performance inspection businesses.
2. Adjustment of -709 millions of yen in segment income (loss) includes eliminations among segments of 9 millions of yen and corporate expenses unallocated to relevant reportable segments of -719 millions of yen. Unallocated corporate expenses mainly consist of expenses for the Administrative division and R&D division that do not belong to any reportable segment.
3. Segment income (loss) is adjusted with operating income in consolidated quarterly statement of income.

II Q2 of FY2020 (June 1, 2019 to November 30, 2019)

Information on net sales and income or loss by reportable segment

(Unit: millions of yen)

	Reportable Segments				Other (Note 1)	Total	Adjustment (Note 2)	Figures in consolidated quarterly statement of income (Note 3)
	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total				
Net sales								
Net sales to outside customers	16,938	28,824	2,763	48,527	74	48,602	—	48,602
Inter-segment sales and transfers	365	3	0	369	84	453	(453)	—
Total	17,304	28,827	2,764	48,897	158	49,056	(453)	48,602
Segment income	265	1,609	171	2,046	35	2,081	(890)	1,190

- (Note) 1. *Other* represents businesses that are not included in reportable segments, such as the physical property and performance inspection businesses.
2. Adjustment of -890 millions of yen in segment income includes eliminations among segments of 2 millions of yen and corporate expenses unallocated to relevant reportable segments of -893 millions of yen. Unallocated corporate expenses mainly consist of expenses for the Administrative division and R&D division that do not belong to any reportable segment.
3. Segment income is adjusted with operating income in consolidated quarterly statement of income.