



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

April 14, 2020

Listed company name Suminoe Textile Co., Ltd. Listed on the Tokyo Stock Exchange
Code number 3501 URL: <https://suminoe.co.jp/>
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Scheduled date of filing of quarterly report: April 14, 2020 Scheduled date of dividend payment: —
Preparation of supplementary explanatory documents for quarterly financial results: No
Holding analyst meeting for quarterly financial results: No
(Amounts are rounded down to the nearest millions of yen) (Figures in brackets are negative)

1. Consolidated Financial Results for the 3rd Quarter of FY2020 (June 1, 2019 to February 29, 2020)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Q3 of FY ending May 31, 2020	70,889	(3.9)	1,226	(38.7)	1,222	(32.3)	268	11.0
Q3 of FY ended May 31, 2019	73,734	0.5	2,001	11.4	1,804	(8.2)	241	(68.5)

(Note) Comprehensive income Q3 of FY ending May 31, 2020: 396 millions of yen (— %)
Q3 of FY ended May 31, 2019: (11) millions of yen (— %)

	Profit per share Basic	Profit per share Diluted
	Yen	Yen
Q3 of FY ending May 31, 2020	40.68	—
Q3 of FY ended May 31, 2019	33.45	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
Q3 of FY ending May 31, 2020	90,312	33,409	31.6
FY2019	87,975	35,271	34.8

(Reference) Shareholders' equity Q3 of FY ending May 31, 2020: 28,548 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	91,500	(7.2)	1,500	(51.9)	1,400	(52.6)	100	(78.6)	15.30

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

*Notes

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

(4) Number of shares issued (common stock)

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

Q3 of FY2020	7,682,162 shares	FY2019	7,682,162 shares
Q3 of FY2020	1,373,268 shares	FY2019	837,557 shares
Q3 of FY2020	6,602,994 shares	Q3 of FY2019	7,233,206 shares

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

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

(Note on the forward-looking statements)

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

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

(1) Explanation of business results

During the third quarter of the consolidated fiscal year under review, although the employment and income environments remained robust, the Japanese economy showed growing signs of a slowdown due to concerns about intensified US-China trade friction and the UK's withdrawal from the EU. Under such circumstances, the spread of the new coronavirus infections resulted in serious impacts on the global economy, including disruption to supply chain networks, centering on China, a slackening of consumer spending, and confusion in the financial markets. In the battle against the COVID-19 pandemic, the light at the end of the tunnel is still far distant.

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 2019 compared to the previous year, while demand in overseas markets contracted greatly.

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."

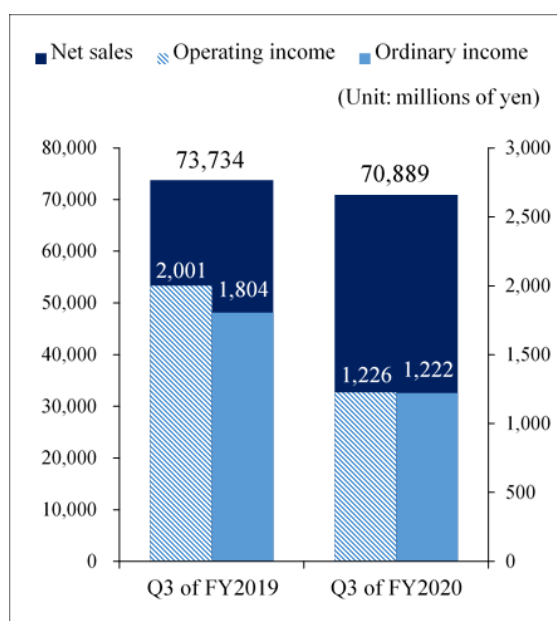
Restructuring of corporate governance	1. Review of financial results management system
	2. Restructuring internal control system
Growth of business	1. Expansion of product lineups
	2. Strengthening of globalization
	3. Development and sales of high value-added products

In the Interior Fittings Segment, the Company is actively capturing businesses with hotels, commercial facilities and demand from offices. 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 for electric heating products 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 third quarter of this fiscal year are as follows.



Net sales decreased by 3.9% year on year to 70,889 millions of yen, reflecting a combination of the stagnant automotive-related sales at home and abroad affected by the global economic slowdown and robust sales in the Interior Fittings Segment and Functional Materials Segment.

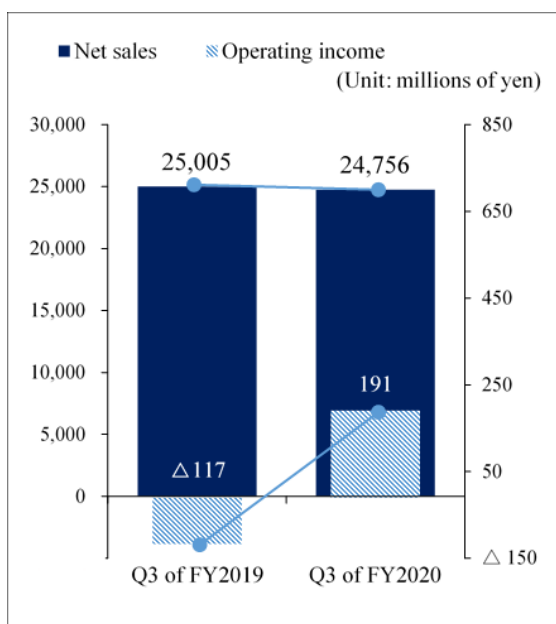
Operating income declined by 38.7% year on year to 1,226 millions of yen on the back of a drop in sales and an increase in depreciation related to the restructuring of our core system.

Ordinary income declined by 32.3% year on year to 1,222 millions of yen, and profit attributable to owners of parent rose by 11.0% year on year to 268 millions of yen.

The performance by segment is as described below.

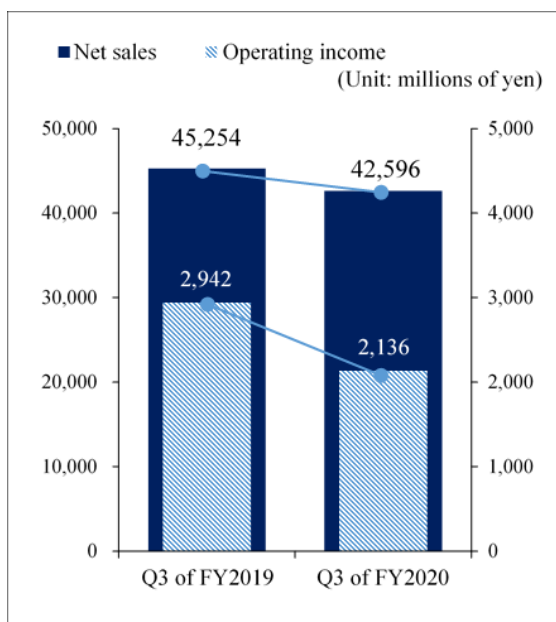
Segments	Net sales		Operating income	
	Amount (Millions of Yen)	YY Change (%)	Amount (Millions of Yen)	YY Change (%)
Interior Fittings	24,756	(1.0)	191	—
Automotive Textiles and Traffic Facilities	42,596	(5.9)	2,136	(27.4)
Functional Materials	3,428	1.8	167	(14.5)
Other	107	2.4	12	(77.2)
Total	70,889	(3.9)	2,507	(18.5)
Adjustment	—	—	(1,281)	—
Consolidated	70,889	(3.9)	1,226	(38.7)

(Interior Fittings Segment)



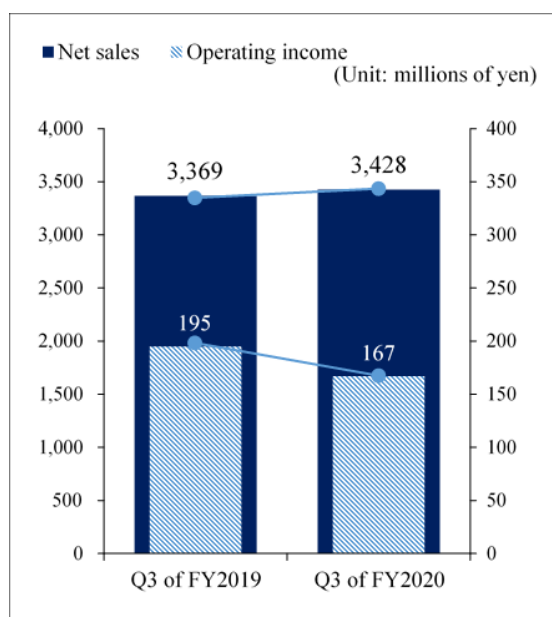
Net sales slightly decreased year on year to 24,756 million yen, helped by strong orders for commercial carpets and curtains for office buildings and hotels. Operating income ended at 191 millions of yen (operating loss of 117 millions of yen in the same period of the previous year) on the back of revised sales prices of products and a focus on products with high margins. Regarding commercial carpets, exports of carpet tiles contracted due to sluggish overseas demand. However, sales of roll carpets rose since orders received for accommodation and commercial facilities were robust. Consequently, sales of commercial carpets increased 1.0% year on year. Sales of household carpets shrank 15.0% year on year since the Company identified and focused on products with higher profitability and consumer spending slowed down after the consumption tax rate was raised. Sales of curtains grew 6.0% year on year on the back of the strong sales of *mode S® Vol. 9* and *U Life® Vol. 9* for general households, and *Face* for medical. Sales of wall coverings and materials increased 5.0% year on year on account of the solid sales of wallpapers and *fusuma* (sliding door) paper.

(Automotive Textiles and Traffic Facilities Segment)



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 5.9% year on year to 42,596 millions of yen and operating income shrank by 27.4% year on year to 2,136 millions of yen. Domestic automotive-related sales dropped 5.0% year on year since the number of automobiles produced in Japan began decreasing in October 2019. Overseas sales shrank 8.0% year on year, reflecting diminishing sales in many countries including the US, 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 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, slightly shrank due to the mild winter. Net sales grew 1.8% year on year to 3,428 million yen, supported by an increase in the adoption of materials for civil engineering and steady shipment of floor materials for bathrooms.

Operating income declined 14.5% year on year to 167 million yen since the Company recorded expenditure for reorganizing overseas plants.

(2) Explanation of financial position

Total assets at the end of the third consolidated accounting quarter under review amounted to 90,312 millions of yen, up 2,337 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 third consolidated accounting quarter under review was a holiday.

Liabilities grew to 56,903 millions of yen, up 4,199 millions of yen, due to factors such as an increase in electronically recorded obligations - operating and an increase in short-term loans payable and long-term loans payable.

Net assets shrank to 33,409 millions of yen, down 1,861 millions of yen, due to drops in shareholders' equity following the share buyback.

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

Considering the current trend in business performance, the Company has revised the forecasts of consolidated business results for the full year of the fiscal year ending May 31, 2020 announced on July 12, 2019.

For details, please refer to the "Notice Concerning the Revision of the Forecasts of Business Results" announced today (April 14, 2020).

2. Consolidated quarterly financial statements and major notes

(1) Consolidated quarterly balance sheet

(Unit: millions of yen)

	FY2019 (As of May 31, 2019)	Q3 of FY2020 (As of February 29, 2020)
Assets		
Current assets		
Cash and deposits	7,880	9,182
Notes and accounts receivable-trade	18,180	17,064
Electronically recorded monetary claims - operating	5,673	8,089
Merchandise and finished goods	9,367	10,047
Work in process	2,011	1,760
Raw materials and supplies	4,287	3,415
Income taxes receivable	166	74
Others	3,100	2,607
Allowance for doubtful accounts	(29)	(36)
Total current assets	50,638	52,206
Non-current assets		
Property, plant and equipment		
Land	17,611	17,615
Other, net	8,749	9,775
Total property, plant and equipment	26,361	27,390
Intangible assets	1,421	1,631
Investments and other assets		
Investment securities	6,932	6,575
Deferred tax assets	1,587	1,404
Other	1,184	1,262
Allowance for doubtful accounts	(150)	(157)
Total investments and other assets	9,554	9,084
Total non-current assets	37,336	38,106
Total assets	87,975	90,312

(Unit: millions of yen)

	FY2019 (As of May 31, 2019)	Q3 of FY2020 (As of February 29, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,193	15,780
Electronically recorded obligations - operating	4,425	5,644
Short-term loans payable	9,755	10,955
Income taxes payable	458	407
Other	3,946	4,173
Total current liabilities	33,779	36,961
Non-current liabilities		
Bonds payable	1,500	1,500
Long-term loans payable	7,293	8,130
Deferred tax liabilities	554	326
Provision for directors' retirement benefit	95	100
Net defined benefit liability	4,303	4,292
Other	5,178	5,591
Total non-current liabilities	18,924	19,941
Total liabilities	52,704	56,903
Net assets		
Shareholders' equity		
Capital stock	9,554	9,554
Capital surplus	2,652	2,651
Retained earnings	10,777	10,577
Treasury shares	(2,423)	(4,016)
Total shareholders' equity	20,560	18,767
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,913	1,740
Deferred gains or losses on hedges	(6)	(4)
Revaluation reserve for land	7,797	7,797
Foreign currency translation adjustment	601	494
Remeasurements of defined benefit plans	(277)	(245)
Total accumulated other comprehensive income	10,028	9,781
Non-controlling interests	4,682	4,860
Total net assets	35,271	33,409
Total liabilities and net assets	87,975	90,312

(2) Consolidated quarterly statement of income and comprehensive income

Consolidated quarterly statement of income

(The third quarter of FY2020)

(Unit: millions of yen)

	Q3 of FY2019 (June 1, 2018 to February 28, 2019)	Q3 of FY2020 (June 1, 2019 to February 29, 2020)
Net sales	73,734	70,889
Cost of sales	58,696	56,422
Gross profit	15,038	14,466
Selling, general and administrative expenses	13,036	13,240
Operating income	2,001	1,226
Non-operating income		
Interest income	9	13
Dividend income	125	120
Real estate rent	185	201
Other	121	191
Total non-operating income	441	527
Non-operating expenses		
Interest expenses	242	209
Share of loss of entities accounted for using equity method	44	75
Foreign exchange losses	54	134
Rent expenses on real estates	23	24
Other	271	87
Total non-operating expenses	638	531
Ordinary income	1,804	1,222
Extraordinary income		
Gain on sales of non-current assets	13	2
Gain on sales of investment securities	7	143
Total extraordinary income	21	145
Extraordinary loss		
Loss on sales and retirement of non-current assets	17	62
Loss on valuation of investment securities	79	—
Loss on sales of investment securities	120	—
Total extraordinary loss	217	62
Profit before income taxes	1,608	1,305
Income taxes - current	649	646
Income taxes - deferred	148	12
Total income taxes	797	658
Profit	810	646
Profit attributable to non-controlling interests	568	378
Profit attributable to owners of parent	241	268

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

(Unit: millions of yen)

	Q3 of FY2019 (June 1, 2018 to February 28, 2019)	Q3 of FY2020 (June 1, 2019 to February 29, 2020)
Profit	810	646
Other comprehensive income		
Valuation difference on available-for-sale securities	(745)	(173)
Deferred gains or losses on hedges	3	8
Foreign currency translation adjustment	(91)	(110)
Remeasurements of defined benefit plans, net of tax	24	32
Share of other comprehensive income of entities accounted for using equity method	(12)	(6)
Total other comprehensive income	(821)	(250)
Comprehensive income	(11)	396
Comprehensive income attributable to:		
Owners of parent	(545)	21
Non-controlling interests	534	374

(3) Major notes on consolidated quarterly financial statements

(Notes on assumption of going concern)

Not applicable

(Notes on significant changes in shareholders' equity)

In accordance with the resolution approved at the Board of Directors' meeting held on January 11, 2019, the Company acquired 557,500 treasury shares by the end of second quarter of the fiscal year ending May 31, 2020. In accordance with the resolution approved at the Board of Directors' meeting held on January 10, 2020, the Company acquired 224,000 treasury shares by the end of third quarter of the fiscal year ending May 31, 2020. In the meantime, the Company disposed of 2,750 treasury shares as restricted stock compensation in accordance with a resolution at the Board of Directors' meeting held on August 29, 2019. As a result, treasury shares increased 1,592 millions of yen, including an increase due to acquisition of odd shares, during the third quarter of the fiscal year ending May 31, 2020, and stood at 4,016 millions of yen at the end of the third 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 third quarter under review is negligible.

(Segment information)

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

Information on net sales and income or loss by reportable segment

(Unit: millions of yen)

	Reportable Segments				Other (Note 1)	Total	Adjustment (Note 2)	Figures in consolidated quarterly statement of income (Note 3)
	Interior Fittings	Automotive Textiles and Traffic Facilities	Functional Materials	Total				
Net sales								
Net sales to outside customers	25,005	45,254	3,369	73,629	104	73,734	—	73,734
Inter-segment sales and transfers	548	6	1	556	130	687	(687)	—
Total	25,553	45,260	3,371	74,186	235	74,421	(687)	73,734
Segment income (loss)	(117)	2,942	195	3,020	56	3,077	(1,075)	2,001

- (Note) 1. *Other* represents businesses that are not included in reportable segments, such as the physical property and performance inspection businesses.
2. Adjustment of -1,075 millions of yen in segment income (loss) includes eliminations among segments of 22 millions of yen and corporate expenses unallocated to relevant reportable segments of -1,098 millions of yen. Unallocated corporate expenses mainly consist of expenses for the Administrative division and R&D division that do not belong to any reportable segment.
3. Segment income (loss) is adjusted with operating income in consolidated quarterly statement of income.

II Q3 of FY2020 (June 1, 2019 to February 29, 2020)

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	24,756	42,596	3,428	70,782	107	70,889	—	70,889
Inter-segment sales and transfers	535	4	0	541	124	665	(665)	—
Total	25,292	42,600	3,429	71,323	232	71,555	(665)	70,889
Segment income	191	2,136	167	2,495	12	2,507	(1,281)	1,226

- (Note) 1. *Other* represents businesses that are not included in reportable segments, such as the physical property and performance inspection businesses.
2. Adjustment of -1,281 millions of yen in segment income includes eliminations among segments of 22 millions of yen and corporate expenses unallocated to relevant reportable segments of -1,303 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.