SUMINOE Textile Co., Ltd.

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Suminoe Textile Group CSR^{*1}

Company Purpose

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

Company Motto

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

Code of Conduct

We comply with all laws and social norms, and conduct corporate activities in an impartial and ethically sound manner.

2 We contribute to the advancement of the community through the production and sale of high-quality products.

We treat all employees of the Company fairly, act with due respect for their individual personalities, and place high importance on their health and safety.

- 4 We place high priority on maintaining good relationships with all our stakeholders.
- 5 We make proactive contributions to the community, as expected of a good corporate citizen.

We take very seriously the impact of our business activities on the global environment, and contribute to environmental preservation initiatives. CSR Activity Policy

To further enhance its corporate value and win a broader range of social trust, the Suminoe Textile Group stipulates the following CSR activity policy, which simultaneously advances both "CSR through Business Operations" and "CSR that Serves as a Management Foundation."

CSR through Business Operations

- Offering products that contribute to the global environment and society, and which enrich people's lives and minds, in line with our fundamental philosophy of "KKR+A (Kenko [Health], Kankyo [Environment], Recycle and Amenity)"
- Promoting global strategies, to ensure that our products will be used by many more people, and to promote "KKR+A" around the world.

CSR that Serves as a Management Foundation

- Establishing a fair and highly transparent governance system.
- Ensuring thorough compliance^{*2} to conduct corporate activities with a high sense of ethics.
- Supporting employees to develop themselves through worthwhile work, while giving consideration to the creation of an employee-friendly environment and the diversity of employees.

Based on our CSR activity policy, we work to provide value to our stakeholders as described below. In doing so, we will establish favorable relationships with our stakeholders, and contribute to the global environment, thereby fulfilling our responsibilities to the next generation.

> We will strive to sincerely respond to our customers, by earnestly listening to their voices. Taking great pleasure in creating comfortable spaces together with our customers, we aim to gain their trust. We also push forward with our quality-improvement efforts.

Customers

Suppliers

Shareholders and investors

Employees

Global environment

jor

stakeholders

We attach great importance to our relationships with our suppliers, and work together with them to improve our customer service capabilities. We strive to conduct fair transactions on an equal footing, by selecting suppliers based on rational criteria regarding price, quality, delivery times, etc.

By securing appropriate profits, We will also work on proactive information disclosure, through our investor relations (IR) activities.

We will deepen exchange with people in various countries and local communities, so as to better understand their cultures and histories. At the same time, we will carry out social contribution activities.

> We will develop comfortable working environments, by respecting the individual personalities and characteristics of our employees. We will also live up to our employees' hopes to maximize their own abilities to resolve various issues and challenges.

We will devote our energies to developing attractive environmental products and technologies that contribute to the preservation and improvement of the global environment. Moreover, through our business operations, we will strive to decrease our impact on the environment (e.g., energy saving, resource conservation, and waste reduction).

*1 CSR: Stands for Corporate Social Responsibility.

*2 Compliance: A company's process of making decisions and taking action in observance of laws and corporate ethics, so as to live up to the expectations and trust of society.

contents

Top Messag	e		03
Group Over (Expansion			05
Group Over (Offices/Fac		v es in Japan)	07
Group Over (Overseas A		v ated Companies)	09
	Futu	propriate Accounting at STA and re Initiatives Corporate Governance CSR Promotion System	11
Feature 2	Sumi	noe Textile Group's Unique Features the Viewpoint of Employees	17
		talization of Human Resources and notion of Women's Empowerment	23
FY 2015 Res	sult	s of CSR Activities	29
Together wi Society	th	Together with Our Customers	31
		Together with Our Employees	35
		Together with Our Suppliers / Risk Management	37
Environment Managemen		Under the Slogan of KKR+A	39
		Fourth Medium-Term Activity Goals —Eco Challenge 2018—	41
		Eco Challenge 2018 (Fiscal 2015 results)	42
Social Contr	ribu	tion Activities	45
Corporate S Editorial Pos		mary/Column/ ript	46

Period Covered

Fiscal year 2015 (From June 2015 to May 2016) (Some activities undertaken outside the above period are included.)

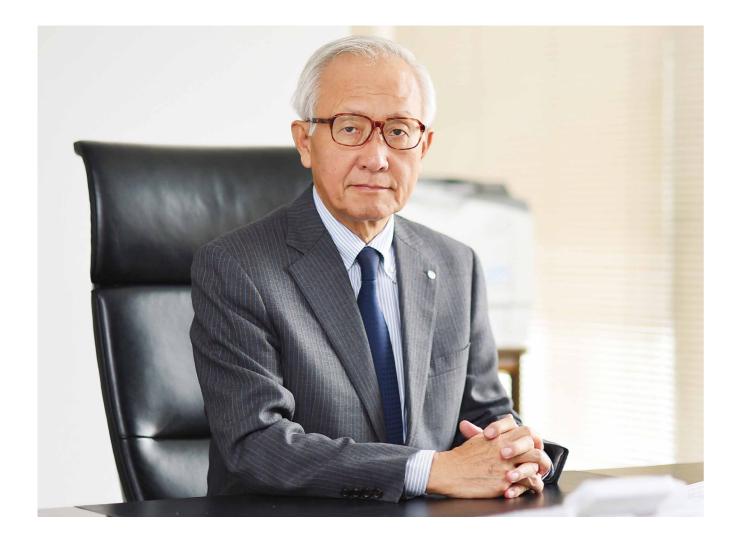
Scope of the Report

Suminoe Textile Co., Ltd. and its consolidated subsidiaries in Japan and overseas. However, the scope varies according to the items reported.

Referenced Guidelines

ISO26000 Guidance on Social Responsibility

Date of Publication December 2016



[Introduction]

I would first like to reiterate our deep apologies to shareholders and others concerned for the great inconvenience and anxiety we have caused due to the accounting problems that started at our U.S. subsidiary, Suminoe Textile of America Corporation. These accounting problems produced a significant delay in our announcing the financial results for fiscal year ended May 2016 and for the first guarter of fiscal year ending May 2017, and resulted in corrections to the financial statements for the past four fiscal years. These problems have keenly reminded us that it is of the utmost importance for top-level executives to re-learn what corporate governance ought to be, and to promote a sense of moral awareness so as to enable each and every member of our various organizations to always know what is the ethical thing to do.

Striking a balance between profit seeking and contributing to the environment and society is a

difficult challenge in managing a business. However, I believe that we must pursue a corporate vision that values harmony as we advance toward the establishment of a sustainable society. We are determined to intensify our efforts to realize high ideals, while maintaining fair and favorable relationships with individual stakeholders. Moreover, we remain well aware of the importance of compliance with laws and regulations as well as social norms and corporate ethics, and will share this sense of values among all executives and employees of the Group companies.

[Accelerating Overseas Expansion and Establishing a Mechanism to Cope with Changes in World Affairs]

The Suminoe Textile Group has been accelerating its overseas expansion for more than 20 years since 1994, when we branched out into Thailand. The Group has now increased its global presence to include 13 establishments in six countries. Our

overseas sales account for roughly 30% of total sales. If limited to the automotive textile business, the ratio of overseas sales has already exceeded 50%, with the number of overseas employees constituting about half the total number of consolidated Group companies. We have globally allocated our management resources, including human resources, in an optimal manner, thereby enabling all Suminoe Textile establishments to constantly work to achieve the highest level in terms of quality, price and supply of products. Meanwhile, to expand our scope of business amid turbulent world affairs, it is absolutely necessary to develop our management capacity to keep pace with various changes. We also need to establish a stronger governance system and ensure full compliance across the Group. We will strive to raise our risk awareness, sort out matters of concern every day, implement measures, formulate rules and conduct follow-up verification without putting off a problem into the future. By establishing such a series of actions as a "mechanism" within our organizations, we will create a system that can respond appropriately to any changes.

[Contribution toward the Realization of a Recycling-Oriented Society]

Our Company has released ECOS®, recycled carpet tiles produced using horizontal recycling technology, which has achieved a post-consumption recycled material usage rate of 83% as well as a 44% reduction in CO₂ emissions (as compared with other products of Suminoe Textile, according to LCA results). These figures are unprecedented in the world. ECOS® is a series of eco-friendly and high-efficiency products that has established a technology for producing new carpet tiles by recycling used carpet tiles. Its technological level is remarkably higher than that of conventional recycling models.

In the future, Suminoe Textile Group will continue to proactively develop environmentally friendly products in line with our fundamental development philosophy of "KKR+A (Kenko [Health], Kankyo [Environment], Recycle and Amenity)," thereby contributing to the creation of a recycling-oriented society.

[Growing as a Global Enterprise through Diversification of Human Resources]

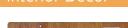
The employees are the company's most important resources. I understand that human resources are

always so important in business management. To nurture human resources who will take the lead in the future, we will cultivate the business operation skills and on-site capabilities of employees by adopting our predecessors' instruction skills and improvement methods while passing on techniques and expertise from one generation to the next. With the recognition that education must always be workplace-oriented, we will create a working environment where individual employees can maximize their own abilities, by incorporating opinions, especially from young and female employees, and deepening mutual understanding. As we step up our overseas expansion efforts, we will continue to respect the characteristics and culture of each region and promote diversification of human resources, thereby enhancing our comprehensive strengths as a global enterprise.

[Bequeathing Traditional Techniques to Future Generations and Spurring New Technological Innovations]

Suminoe Textile Co., Ltd. owns Tango Textile Co., Ltd., a subsidiary at which experts in hand-weaving techniques are working to produce plush hand-woven curtains and hand-woven carpets. Together with the Kyoto Traditional Art and Craft Factory, which manufactures brocades, Tango Textile is committed to passing on traditional techniques to future generations. It is difficult to preserve hand-weaving techniques in business management, which requires improvements in work efficiency. However, we consider that passing on traditional culture is also one of the social responsibilities that Suminoe Textile Group must fulfill as an interior manufacturer. In recent years, we have undertaken the production of new plush hand-woven curtains by using an electronic jacquard loom in conjunction with a computer, in an attempt to put new life into the tradition. As a pioneering manufacturer in the interior industry, we will redouble our efforts not only to maintain traditional techniques, but also to develop next-generation technologies.

Ichizo Yoshikawa Chairman and President Suminoe Textile Co., Ltd. December 2016 吉川ー三 Suminoe Textile Group's Products and Technologies Contributing to Comfortable Lifestyles and the Well-Being of Society





Carpet tiles



Rugs and mats





Sliding paper doors

Nishijin broc fabric



Seat coverings



Car mats

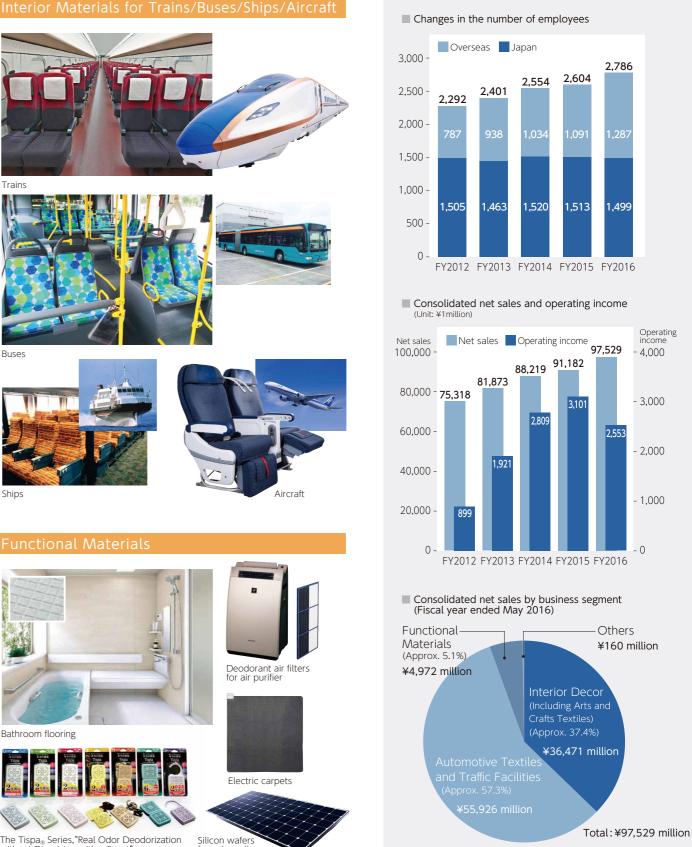
Curtains





Hand-woven carpets and hooked rugs

Ever since 1891 when its carpets were supplied to the Imperial Diet Building on the occasion of its opening, the Suminoe Textile Group has contributed to modernization of lifestyles as a pioneering manufacturer in the Japanese interiors industry. We are committed to manufacturing environmentally-friendly products that feature both excellent design and functionality, and serving diverse customers by offering a wide variety of interior products for public buildings, office buildings, public transportation systems, as well as for general households.









The Tispa® Series, "Real Odor Deodorization without Disguising with a Scent"

Silicon wafers for solar cells

Offices/Factories of Suminoe Textile Co., Ltd. and Major Affiliated Companies in Japan

More than 130 years have passed since our founder opened his first factory, in Sumiyoshi Village in Osaka, that became the origin of Suminoe Textile Co., Ltd. Now the Suminoe Textile Group has establishments across Japan, meeting the demands of its customers.

Our founder's manufacturing spirit has been handed down to Suminoe Techno Co., Ltd. and other factories of the Suminoe Textile Group. Through our sales network extending across Japan, we are committed to customer-oriented corporate activities every day, in order to deliver products and services that enrich and make people's lives more comfortable.

- Head Office (Osaka City)
- Tokyo Branch (Tokyo)
- Nara Factory (Ikoma-gun, Nara Prefecture)
- Shiga Factory (Koka City, Shiga Prefecture)
- Kyoto Traditional Art and Craft Factory (Kyoto City)
 Sapporo Sales Office
- (Sapporo City, Hokkaido Prefecture)Sendai Sales Office
- (Sendai City, Miyagi Prefecture)East Tokyo Sales Office
- Wako City, Saitama Prefecture)
 West Tokyo Sales Office
- (Isehara City, Kanagawa Prefecture)
- Nagoya Sales Office (Nagoya City, Aichi Prefecture)
- Hiroshima Sales Office (Hiroshima City)
- Fukuoka Sales Office (Fukuoka City)
- SUMINOE Co., Ltd. (Osaka City)
 Planning and sales of interior products, mainly carpets and curtains
- RUNON CO., LTD. (Tokyo)
 Planning and sales of interior products, mainly wallpapers
- Suminoe Logistics Co., Ltd. (Ikoma-gun, Nara Prefecture) Product storage, handling, processing, and delivery
- Suminoe Works Co., Ltd. (Tokyo) Installation of interior products
- Kansai Laboratory Co., Ltd.
 Testing and inspection services
 Nara Laboratory (Ikoma-gun, Nara Prefecture) and
 Osaka Laboratory (Matsubara City, Osaka Prefecture)
- Suminoe Teijin Techno Co., Ltd. (Osaka City) Production and sales of automotive textiles, mainly seat covering materials
- Marunaka Souei Co., Ltd. (Osaka City) Wholesales of traffic facilities textiles
- Suminoe Techno Co., Ltd. Production and processing of carpets, continuous fiber spinning (including recycling), and production and sales of non-woven fabric Nara Factory (Ikoma-gun, Nara Prefecture) and Shiga Factory (Koka City, Shiga Prefecture)
- Tango Textile Co., Ltd. (Kyotango City, Kyoto Prefecture) Production and sales of plush hand-woven curtains, hand-woven carpets and hooked rugs, and other rugs
- Teijin Tecloth Ltd. (Inazawa City, Aichi Prefecture) Production and sales of automotive seat covering materials, chair upholstery fabrics, and clothing textiles
- l Owari Seisen Co., Ltd.

Dyeing and finishing of automotive seat covering materials and interior fabrics Head Office (Ichinomiya City, Aichi Prefecture) and Ishikawa

Factory (Nomi City, Ishikawa Prefecture)

- Suminoe Nakacho Device Technology Corporation (Osaka City) Slicing of silicon ingots for solar cells
- Sewing Hyogo Co., Ltd. (Tamba City, Hyogo Prefecture) Sewing and processing of fabric products

Shiga Factory of Suminoe Techno Co., Ltd.

•Number of employees: 43 (male 37, female 6) Suminoe Techno Co., Ltd. was established on June 2013, by integrating Suminoe Nara Co., Ltd. and Suminoe Koka Co., Ltd., both of which were among the Suminoe Textile Group's manufacturing factories in Japan. The Shiga Factory of Suminoe Techno is located in Koka City, well-known as home to a village of ninja (secret agents in feudal Japan highly skilled in stealth and secrecy), located in the southeastern part of Shiga Prefecture. The factory produces $\exists \exists h \Box \forall \circledast$ (SUMITRON) continuous polyester yarn made from recycled PET bottles, and laminates olefin resin onto non-woven fabrics, such as needle-punched fabric.

スミトロン®(SUMITRON) is primarily used for carpet yarns, and laminated materials are mainly used for automotive components. In the future, Suminoe Techno will continue to contribute to society by providing

Offices/factories of Suminoe Textile Co., Ltd.

● ≝…Affiliated companies and their sales offices/factories



customers with environmentally friendly products while ensuring harmonious coexistence with the local community blessed with abundant greenery.

Kansai Laboratory Co., Ltd.

•Number of employees: 21 (male 14, female 7) Kansai Laboratory Co., Ltd. has Osaka and Nara Laboratories, where automotive textiles and traffic facility materials, carpets and other interior fabrics are tested scientifically and demonstratively. Through these inspection services, Kansai Laboratory has contributed to manufacturing products that meet strict quality standards. Both of these laboratories earn a high degree of trust as facilities registered under the Japan National Laboratory Accreditation (JNLA) system.

Kansai Laboratory also strives to augment its testing equipment in order to answer the needs regarding new testing standards that will arise from new product development in the future.



RUNON CO., LTD.

●Number of employees: 114 (male 97, female 17) This year RUNON CO., LTD., marks its 82th anniversary. Having started as a wholesaler of paper for fusuma (sliding paper doors), in 1990 the precursor of the company was renamed to "RUNON," which had been its brand name. RUNON has been mainly engaged in wholesales of wallpaper and fusuma paper across Japan. In particular, RUNON caused a sensation when it released 空気を洗う壁紙®(a deodorant wallpaper). All employees took the initiative in conducting advertising and sales activities nationwide, which resulted in widespread recognition of the product.

The company's major appeal lies in a wide variety of functional wallpapers, as well as wallpapers and fusuma paper featuring novel and delicate designs.

Employees of RUNON actively exchange ideas based on their wealth of product knowledge. Their positive attitudes to acting on their own initiative constitute the driving force behind the development of the company.





Website QR code

Head Office and Factory of Owari Seisen Co., Ltd.

•Number of employees: 85 (male 61, female 24) The Head Office Factory of Owari Seisen Co., Ltd. is located in Ichinomiya City, Aichi Prefecture.

Ichinomiya City was so named because it is home to Masumida Shrine, which was the ichinomiya (Japanese Shinto shrine with the highest shrine rank) in Owari Province (now Aichi Prefecture) in the Heian Period (794 to 1185).

Situated at the center of the Nobi Plain, Ichinomiya has flourished since olden days as a traditional textile city, blessed with clear streams, a mild climate and the culture of the Kiso region. Ichinomiya has now become renowned nationwide as a city highlighted by the comprehensive textile industry, as exemplified by the Bishu brand, a locally produced fabric.

Owari Seisen Co., Ltd. is primarily in charge of dyeing and finishing of automotive textiles and interior fabrics, as well as materials for industrial use.

The company's motto is "Owari Seisen will open up a bright future by promoting dialogue and innovative ideas through sincere attitudes." In line with the



motto, all employees work hard every day aiming to manufacture highquality products.

Major Overseas Affiliated Companies

The Suminoe Textile Group conducts business operations on a global basis, having the advantages of stable production and quick delivery.

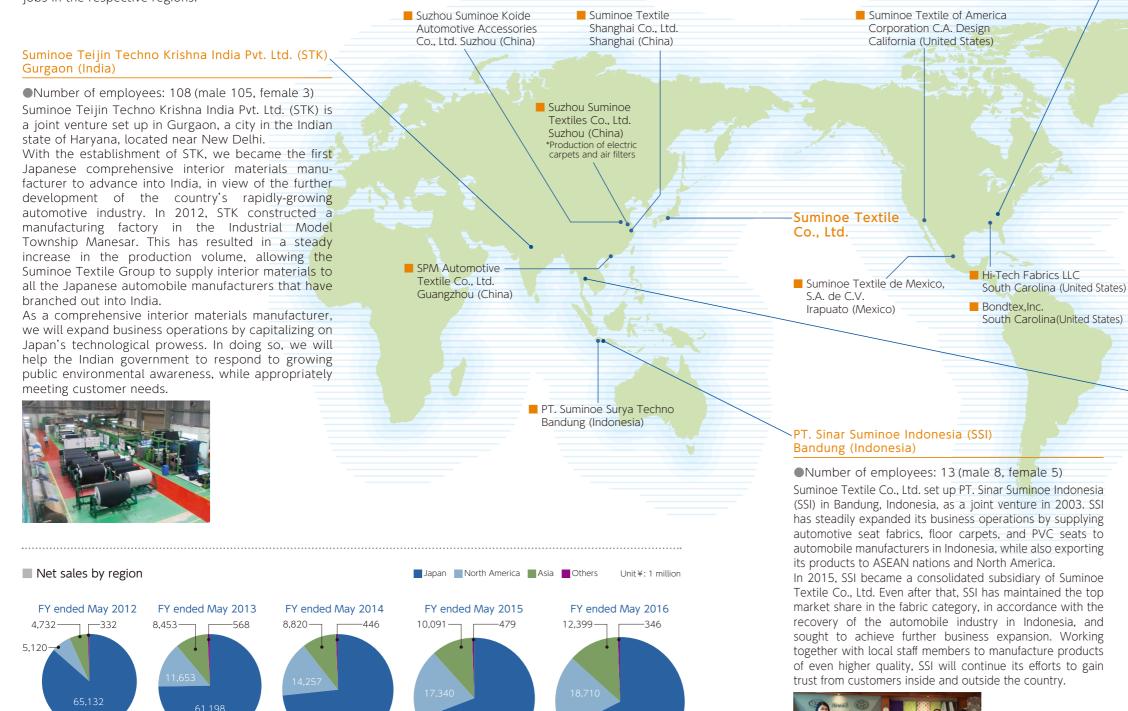
The Suminoe Textile Group has accelerated its overseas expansion, mainly into Asia and North America, since 1994 when it established an overseas subsidiary in Thailand. Now we have expanded our overseas presence to include 13 establishments in six countries. We deliver automotive textiles to Japanese automobile manufacturers in each country, in accordance with their requirements. In China, we manufacture electric carpets and filters. Through active recruitment of local employees, the Suminoe Textile Group is committed to helping to create jobs in the respective regions.

64 694

Total 88,219 (Overseas ratio 26.7%)

Total 91,182

(Overseas ratio 30.6%)



Total 97,529

(Overseas ratio 32 3%)



Total 75,318 (Overseas ratio 13.5%)

Total 81,873 (Overseas ratio 25.3%)

Suminoe Textile of America Corporation (STA) (South Carolina, the United States)

•Number of employees: 450 (male 280, female 170) In 2004, Suminoe Textile of America Corporation (STA) was established in Gaffney, South Carolina, the United States, as a wholly owned subsidiary of Suminoe Textile Co., Ltd. STA started operation as a fabrics business, and then steadily expanded its scope to include carpet and mat businesses, followed by a needle punch business launched in 2010.

Additionally, in 2013 STA set up Suminoe Textile de Mexico to conduct its mat and needle punch businesses in Mexico. STA also entered the laminate business in 2015 through its acquisition of Bondtex, Inc., achieving further business expansion.

With about 450 employees, STA has now grown into a company that is contributing to the development of the regional economy through job creation in the state of South Carolina, where it operates.



T.C.H. Suminoe Co., Ltd. (TCHS) Ayutthaya (Thailand)

•Number of employees: 204 (male 139, female 65)

Thailand has seen a variety of incidents, including great flooding, an anti-government movement, the Bangkok Shutdown, coups d'état, martial law, and bombing incidents. Throughout these incidents, T.C.H. Suminoe Co., Ltd. (TCHS) has operated for 22 years since its establishment in 1994 as the first overseas affiliate of Suminoe Textile Co., Ltd.

During the great flood that hit Thailand in 2011, unfortunately the TCHS factory was submerged. However, the company successfully recovered from the disaster through the concerted efforts of all employees.

Since almost all TCHS products are geared to automobiles, the company has been affected by the rapid expansion of the new automobile market due to the government subsidies for first-time car buyers in Thailand, and by the ensuing backlash in the form of a long-term slowdown. Nevertheless, TCHS stays committed to the development of new products and new customers.



Inappropriate accounting at our US subsidiary Suminoe Textile of America Corporation and measures to prevent any recurrence

We deeply apologize for the inconvenience and anxiety we have caused due to the accounting problems at our subsidiary.

Based on the "Report on the Investigation by the Internal Investigation Committee and the Framework of Measures to Prevent Any Recurrence" released on November 4, 2016, we hereby report the history and the details of the inappropriate accounting that was subject to correction, as well as the actions taken and measures to prevent any recurrence, as follows.

Following the above release, the measures to prevent any recurrence were approved by the Board of Directors and then reported at the extraordinary general meeting of shareholders on December 20.

1. Overview and progress of investigation

At STA, a rapid increase in production that began around June 2015 caused confusion on its production lines, which resulted in postponement of the midterm inventory count scheduled for the end of September 2015. After that, the interim inventory count conducted at the end of December 2015 found a large inventory difference. An internal investigation began in January 2016 and identified the cause of the difference

as problems with the core system and an inadequate inventory count operation. Then an investigation into the cause of these problems started.

Against this backdrop, on March 4, 2016 a former STA employee became a whistleblower to Deloitte, and the subsequent audit by Deloitte in the same month identified a reasonably questionable transaction. Subsequent events are as follows:

- April 2016 Suminoe Textile and STA set up an investigation team to conduct an internal investigation.
- May 30, 2016 It was found that inappropriate upgrading of stock and sales returns took place possibly under the influence of the Business Division operating officers and general managers of Suminoe Textile.
- June 6, 2016 An investigation committee of experts, including external lawyers, and an internal investigation committee were set up.

Investigation by an external investigation organ began in the United States.

- July 22, 2016 An interim report was submitted by the external investigation organ.
- July 29, 2016 A third-party committee was set up to ensure a higher level of fairness in the investigation.

The third-party committee was set up for the following three purposes:

- ① To clarify the presence and details of involvement of Suminoe Textile (specifically, the Automotive Textile Business Headquarters) in the inappropriate accounting at STA
- ② If Suminoe Textile's involvement were found, to analyze the causes and problems
- ③ To analyze Suminoe Textile's corporate governance and internal control systems related to this issue

On October 25, 2016, we received an investigation report submitted by the third-party committee. In parallel with the investigation by the third-party committee, our internal investigation committee analyzed the results of the investigation by the external investigation organ, conducted a follow-up investigation of the matters yet to be investigated and an on-site examination of various documents at

STA and other necessary investigations. As a result of this verification, we concluded that the financial results for past fiscal years should be corrected regarding the two matters described below, and the consolidated financial statements for the 123rd (fiscal year ended May 2012) through the 127th (fiscal year ended May 2016) periods, which had already been submitted, were thus corrected.

2. Outline of corrections to financial statements for past fiscal years

Major problems detected and corrected according to the investigation results described above are as follows.

Inadequate use of codes and locations

Availability codes and location codes for the inventory control system were inadequately used to cover up defective or fictitious inventory, thereby making the balance of payments appear to improve.

◆ Inappropriate handling of accounts receivable (express delivery costs)

Express delivery cost for delivery to a customer was

deducted from expenses before obtaining the customer's agreement on payment of the cost. It was then decided through negotiations that the amount received for the express delivery cost would be paid back by means of adjustments to the selling prices for subsequent years. But the future financial burden was not appropriately recorded.

Valuation of spare parts inventory

Standards for handling the spare parts inventory were not clarified. Some products in stock exceeded the reasonably estimated quantity but there was no proper write-down for it.

Chargebacks (return of funds) to customers

Payment of chargebacks (return of funds) to customers (3 companies) was delayed and carried over to the next period.

Monetary impact of the inappropriate accounting on our consolidated financial statements (Unit: Millions of yen)								
	FY ended May 2012	FY ended May 2013	FY ended May 2014	FY ended May 2015	FY ended May 2016			
Net sales	riangle 5	△ 24	△ 47	△ 61	△ 149			
Operating income	△ 131	△ 135	△ 386	△ 53	△ 425			
Ordinary income	△ 131	△ 135	△ 386	△ 53	△ 425			
Net income	△ 403	225	△ 254	△ 34	△ 1,188			
Net assets	△ 403	167	△ 276	△ 121	△ 1,076			
Liabilities	26	20	145	△ 184	45			
Total assets	△ 377	188	△ 130	△ 306	△ 1,031			

3. Measures to prevent any recurrence of problems

Framework of measures to prevent any recurrence is as follows. We will draw out practical measures and steadily implement them.

(1) Reform of corporate culture

To promote an understanding of the importance of awareness reform, enhanced compliance, and disclosure, communicate top messages to employees. Also, conduct an employee questionnaire survey ahead of schedule, to gather frank opinions to be reflected in the improvement measures. Provide training programs for members in the Operating Officer or higher class, and for general manager-class executive employees.

(2) Providing company-wide educational programs for awareness raising

Continuously provide the above training programs for executive-class employees, and offer education on accounting, compliance, internal rules, etc. for regular employees, according to their qualifications, position, and duties.

(3) Review of the performance management system and management of subsidiaries

①Review of the performance management system Review the performance management system unique to the Automotive Textile Business Headquarters,

Other

① Upgrading of stock and other handling that were corrected but had little impact on the final financial statements; 2 problems that were found by the internal investigation committee to be not inappropriate or already being corrected, or problems that were too insignificant to be subject to correction.

◆ Influence of the above corrections

In line with these corrections, numerical corrections related to tax effect accounting, such changes or write-offs were performed retrospectively.

which had been established independently from other divisions, and implement company-wide assessment and analysis from an objective perspective.

⁽²⁾Developing and enhancing an efficient and effective system for monitoring subsidiaries

Review the contents of weekly and monthly reports, which are prepared as tools for monitoring the performance and management issues of subsidiaries, and establish an integrated management structure for systems, including system investment, which can be linked to the accounting system and operation management system of each subsidiary.

③Review of the affiliate management regulations,

- and on-site audits and confirmation by the
- subsidiary corporate auditors

Review the affiliate management regulations, and identify the subsidiaries to be monitored with particular attention to the status of their internal control. For overseas subsidiaries with high priority, the corporate auditors of each subsidiary will conduct as many on-site audits as possible to ensure confirmation from an objective perspective.

Feature 1 Inappropriate Accounting at STA and Future Initiatives Corporate Governance and CSR Promotion System

(4) Review of the STA management system

①Understanding the importance of awareness reform, enhanced compliance, and disclosure

At STA, hold training programs particularly to deepen understanding of the importance of compliance and disclosure, so that all employees, including executive members, can fully understand the factors that caused the inappropriate accounting, basic accounting principles, and measures to be taken for improvement.

②Examining proper personnel arrangements

Considering the excessive operations assigned, review the STA management system, and enhance and properly distribute the necessary human resources. Make continuous flexible adjustments to work burdens according to the situation.

③Measures for expatriates from Suminoe Textile

To enable early discovery of any wrongdoing, apply rotational transfers (between STA and Suminoe Textile) on a regular basis, and hold personal interviews and meetings with the Human Resources Department.

④Placing CFOs under the direct control of Head Office Change the chain of command for CFOs (chief financial officers) of overseas subsidiaries so that they are put under the direct control of Head Office and are able to strictly supervise irregular accounting processes.

(5) Review of STA inventory control system

①Sharing the rules concerning inventory control within the Suminoe Textile Group

Strengthen control by Suminoe Textile and develop a control system that will not allow any intentional interference in inventory valuation by each subsidiary.

②Ensuring proper implementation of physical

inventory counting and analysis of differences found At STA, clarify the physical inventory counting processes and confirm their necessity and detailed operation on a quarterly basis, so as to make employees aware of the importance of physical inventory counting, thereby ensuring proper implementation. Also, ensure that the analysis of inventory differences is clearly prescribed in the guidelines and properly implemented, so it can be utilized to improve the operation.

③Constantly raising awareness of and educating system users

Provide internal education programs for the management class, and prepare a manual for IFS, an ERP (enterprise resource planning) package. Also, clarify the persons and departments in charge of controlling the information entered and retrieved from the IFS system.

(6) Redevelopment of internal control systems

①Checking and examining the status of operation of internal control systems

Re-examine the adequacy and appropriateness of the internal control systems (status of development and operation) resolved by the Board of Directors. If any problem is found as a result, re-establish the system. If no problem is found in the system, check whether it is properly operated and then improve the operation where necessary.

②Redeveloping the whistle-blowing (Corporate Ethics Hotline) system

For early discovery of any wrongdoing or misconduct inside the company, enhance the whistle-blowing system as a scheme to spontaneously guide our corporate culture in the right direction.

③Importance of the duties of the corporate auditors Increase the number of full-time corporate auditors or appoint corporate auditor staff to conduct focused audits on important subsidiaries, especially overseas subsidiaries, in view of the Group's governance.

④ Operate an effective internal control report system Clarify the exact operation status at STA, determine and assess the risks, and identify the controlling activities that are effective for evaluation of internal control. At the same time, increase the number of staff members in the Internal Auditing Department, thereby establishing and improving the internal control system through evaluation.

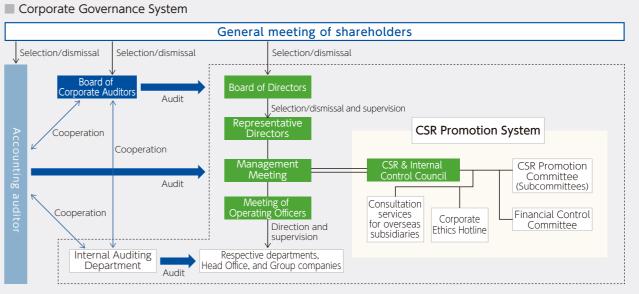
Regarding company-wide internal control for Suminoe Textile and STA, implement the actions announced in the above measures to prevent any recurrence, so as to ensure effectiveness of the evaluation.

4. Actions taken to clarify the management's responsibility

In view of the importance of this problem and to clarify the management's responsibility, all Directors had their remuneration reduced, demonstrating their determination not to allow such an inappropriate operation to happen again.

Corporate Governance*1

Suminoe Textile has established the corporate governance system outlined below. As announced in our measures to prevent any recurrence in response to the STA's inappropriate accounting, we will enhance our governance with particular emphasis on the role of the monitoring organs through enhancing the functions of Corporate Auditors and increasing the number of staff members in the Internal Auditing Department.



Board of Directors

The Board of Directors comprises eight directors (including two outside directors), and supervises business execution and makes decisions on important matters.

Board of Corporate Auditors

The Board of Corporate Auditors consists of three auditors (including two outside auditors). The Board decides auditing policies and plans, and deliberates on audit reports.

Management Meeting/CSR & Internal Control Council

The management meeting is held every week, in principle, to report and deliberate on important management



Director Kunihiko Kotaki, Director Katsuyuki Sawai Front: Outside Director Yutaka Masuyama, Representative Senior Managing Director Hitoshi lida, Chairman and President Ichizo Yoshikawa, Representative Senior Managing Director Yoshiaki Tanihara, Outside Director Haruo Shimizu

*1 Corporate governance: The mechanisms by which company management is controlled and upervised, in order to enhance its management transparency and corporate value



matters. Matters of particular importance will be reported to the Board of Directors. CSR-related important matters and evaluation of internal controls concerning financial reports are discussed at the meeting of the CSR & Internal Control Council. The meeting is attended by one full-time corporate auditor as an observer.

Meeting of Operating Officers

The Meeting of Operating Officers comprises President and operating officers of Suminoe Textile Co., Ltd., and holds its meeting once a month. At the monthly meeting, the decisions made by meetings of the Board of Directors or by the Management Meeting are announced, and reports are made on the present status of business execution by each operating officer.

Back: Outside Corporate Auditor Yasufumi Yamashita, Outside Corporate Auditor Hidenao Yoichi, Corporate Auditor Makoto Tatsumi, Director Yoshiteru Mimura,

Feature Inappropriate Accounting at STA and Future Initiatives Corporate Governance and CSR Promotion System

Message from new Independent Outside Director

I am Haruo Shimizu, a corporate advisor with EXEDY Corporation. Appointed as the independent Outside Director of Suminoe Textile, a board member of a company with 100 years of history, I feel strongly the weight of responsibility with the position.

My experience of operating many overseas businesses has taught me that CSR-based management is the key to business continuity. It is very important that the corporate philosophy is reflected in each employee's action.

As the Group companies grow, people, goods, money and risks that the headquarters should control expand year by year. Various troubles are likely to occur at this

stage. Reporting, communication, and consultation immediately after occurrence is the first step in ensuring compliance. It is crucial to ensure that what is decided by the Company is done as it is decided. To this end, I personally think it would

be meaningful to require all employees to review the corporate philosophy and the significance of CSR. I hope I can be of some help to you.



Haruo Shimizu, Outside Director

Outside Director Shimizu's challenging life and EXEDY Corporation

"Just dive into it"

Without fear of failure, be passionate about achieving your goal. Achieve your wish by making clear what you are trying for.



Overview of EXEDY Corporation

EXEDY is a comprehensive manufacturer of drivetrain components, such as manual clutches and torque converters for automobiles, covering the entire process from development to production. Head Office is located in Neyagawa City, Osaka, and the 43 EXEDY Group companies are in 24 countries for production and sales.

Founded:1923 Established:1950 Capital: 8,284 million yen Employees:17,872 (consolidated) (as of March 31, 2016) Sales:268.7 billion yen (consolidated) (FY ended March 2016)



Outside Director Shimizu's challenging life		History of EXEDY Corp.			
	1950s	1950 Established Daikin Manufacturing Co., Ltd. (now EXEDY).			
1969 21 years old Challenge! While at university, toured the U.S. As one of the 73 members of seven bands, held concerts at several universities on the West Coast.	1960s	1963 Relocated the Headquarters to Neyagawa City. 1967 Dispatched workers to Chicago, USA.			
 1970 Joined EXEDY Corporation. 1977 29 years old Challenge! Set up the first overseas subsidiary – Daikin Clutch USA. Became the first Vice President. 	1970s	1975 Opened the Ueno Factory.1977 Established Daikin Clutch USA. (now EXEDY Globalparts Corporation)			
 1982 35 years old Challengel Succeeded in exporting plants to East Germany. Accelerated global operation. 1988 40 years old Challengel November 1987 set up a fully-owned subsidiary DCC (now EGP). Became the first president. Learned the difficulty of plant management. 	1980s	1981 Opened the Kawagoe Plant.			
1994 Became Director of EXEDY Corporation. 1999 Became Managing Director.	1990s	 1995 Changed the corporate name from Daikin Manufacturing to EXEDY Corporation. 1997 Listed in the First Section of the Tokyo Stock Exchange. 			
2002 Became Senior Managing Director.	2000s				
 2006 59 years old Became President & CEO. Challenge! Set consolidated sales of 200 billion yen as target for the 60th anniversary (2010). 2009 62 years old Challenge! Released management strategy keywords to show 		2008 Set up on-site daycare at Head Office.2009 Provided the MotoGP Fiat Yamaha Team with its dry-type multi-plate clutch.			
2015 Became Director and Chairman.	2010s	2011 Established a special subsidiary EXEDY Sun Co., Ltd.			
2016 Became Corporate Advisor.		2012 Constructed a new Head Office building.			

Compliance

Since the publication of the Suminoe Textile Group Compliance Guidance in 2006, we have promoted compliance awareness among employees through providing compliance education as part of the training on entering the company and training by level using the Guidance as an education tool. For whistleblowing, we have set up an in-house contact point for receiving information and an attorney's office as an

CSR Promotion System

The CSR Promotion Committee, officially inaugurated in Realizing from the accounting problems that our December 2014, has conducted surveys of employees' activities are still not enough, as the main organ in opinions on workplace comfort on a regular basis. promoting measures to prevent any recurrence, the Committee will listen to the opinions of the Reflecting the results of the surveys, we have promoted various CSR activities, such as offering training subcommittees that have been formed by category to further accelerate initiatives to promote CSR. programs to raise awareness of compliance and prevent harassment, and initiatives to better control labor hours and vitalize employees.





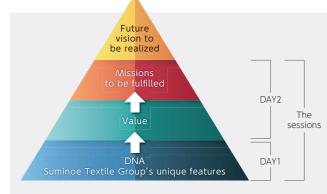
CSR Promotion Committee

outside contact point, and have encouraged our employees to use them if they find any incidence of violation of laws and regulations or corporate ethics. However, as the inappropriate accounting at STA showed these efforts to be insufficient, we will steadily implement measures to prevent any recurrence, including training for executive class employees, thereby promoting awareness reform.

1st Suminoe Vision Talk Session Learning from the Past History of Suminoe Textile and Considering its Future Advancement

Since its founding, Suminoe Textile has woven a history of more than 130 years. The Company has produced many outstanding results, including the manufacture of the first carpet made in Japan, taking advantage of its technological capabilities as a distinguished manufacturer. Now we should recognize anew the strengths of Suminoe Textile Group that have been handed down from the past, and consider how the Group should advance into the future. To find a clue to these themes, a two-day talk session was held to hold discussions among employees.





[Objective of the Talk Session and the Corporate Philosophy] To identify Suminoe Textile Group's unique features and the missions that the Group is expected by society to fulfill

Everyone has a mission that only he/she can accomplish. We ask ourselves "what is the reason for our existence?" and "What is the thing that only we can do?"

The same also holds true for a company. We believe that clarifying the significance as an extension of business operations and what kind of value our Group can offer to society will lead to consistent business management, and will enhance employees pride in and motivation for their work.

Management

natience i mportant to live.

been taught that

Participants (members who have prepared this CSR Report)

Group Managing Leader, Development Department

Suminoe Textile Co., Ltd.

echnical Center

"The beauties of

each season.

nature" ... I love the natural beauty of



Fumiaki Yano Director, Vehicle Upholstery Planning Department, Suminoe Textile Co., I td. "Weave" ··· To create a product having a certain function, by processing materials



Hiroyoshi Akiyama Taisuke Masuda Corporate Planning Group Leader, New Business Development Department Suminoe Textile Co., Ltd. Textile Co., Ltd. "The will is more "We can turn "An open mind" and knowledge into wisdom only by "Knowing what is right taking action. and not doing it sho a lack of courage."



(Department / Name / Favorite word[s])

Manabu Yamatsuka Product Planning Department, R&D Center, Suminoe Teijin Techno Co., Itd. "Simplicity and fortitude" … I always want to be simple and sincere mentally and physically.



Group Managing Leader, Overseas Planning Division, Global Board Director and General Manager of Living Product Department, Suminoe Textile Co., Ltd. SUMINOE Co., Ltd. "Patience" … I have way), a second-rate

Mitsunobu Matsuyama

"A third-rater is at the mercy of fads (as their chooses a way, and a first-rater creates a way.

DAY1 Exploring Unique Features of Suminoe Textile Group from its Roots

What are the unique features of Suminoe Textile Group? First, participants in the talk session explored the DNA of Suminoe Textile Group. On Day 1. discussions took place based on the Group's history and past experience of each participating member.

Q: When reviewing Suminoe Textile Group's history so far, what do you feel are the unique features of the Group?

Yamatsuka: I think that Suminoe Textile Group is characterized by its frontier spirit. In the midst of turbulent times before and after World War II, the Company produced many products that were the first of their kind in Japan.

Masuda: I agree. I have the impression that Suminoe Textile has launched its businesses a little ahead of the times. The Company has taken on new challenges.

Yano: I think that Suminoe Textile discerned the requirements of the society of the day and swiftly took the appropriate action, which enabled the Company to accomplish the feat of producing the first Japan-made products.

Akiyama: Leaning from past failures and making effective use of past experience have resulted in the subsequent success in developing the automotive and bathroom flooring materials that we handle now. I feel that these attitudes are suited to the trends of an ever-changing society, though I'm not sure whether it is by chance or necessity.

Yano: Also worthy of special mention is the honesty. I believe that Suminoe Textile Group is an earnest enterprise.

Yamatsuka: In addition, Suminoe Textile is highlighted by its uncompromising spirit, as exemplified by fact that during the postwar period the Company received a great number of orders for interior textile products from the Occupation Forces. Even when GHQ made unreasonable demands of Suminoe Textile, the Company members at that time stood their ground, and successfully concluded the negations without compromise. Another example is the delivery of the hand-woven carpet to the Homeiden Imperial Palace building. Our predecessors accomplished this great task through extraordinary endeavors.

Akiyama: In the in-house magazine published to commemorate the 35th anniversary of the Company's founding, I find the following words of the then President lida: "We cannot survive unless we compete on a global level." This indicates an attitude of taking on the new challenges that faced the Company at that time.

Nishino: I retained a deep impression from my experience in my work. It was a large-scale project, in which we produced carpet tiles nonstop every day for about one month so that we could supply the products to the Tokyo Metropolitan Government. Despite a series of problems, we managed to continue manufacturing while repairing the equipment so that we were able to complete the order. I remember that at that time all staff members were full of energy and had great workplace capabilities that could fulfill any mission with support from many others.

Akiyama: That may have been possible through our close people-to-people relationships. Our Company has a strong workforce of individual employees, on which I think the Company depends to some extent. Yano: That's why the Company has a corporate culture of respecting the individual, basically letting us do what we want to do, except for in extreme circumstances.



Yamatsuka: I think that's because Suminoe Textile Group does not rely on stereotyped rules and manuals. Masuda: Our Company is flexible enough to maintain something good but change something that needs to be changed.

Nishino: I don't think that Sumino Textile Group just sticks to its tradition. The Group may rather choose to break the tradition in order to create something new.

Yamatsuka: I had a hard experience in implementing one project, as a result of which now I can see that I was able to grow. In retrospect, people around me didn't provide me much support, probably because they trusted me to do it by myself. Now I realize again that a large amount of discretion is left to individual employees. Yano: So far I have always been working in the vehiclerelated field. Several years after joining Suminoe Textile, I was assigned to work with my supervisor to develop new customers in the private railway industry. Every morning I discussed my plans for the day's schedule and content with my supervisor, and he allowed me to proceed according to the plan and provided me with follow-up and support. It was certainly hard work, but I think that I felt the greatest sense of fulfillment at that time.

Masuda: While listening to various stories of other participants, I realize that continuing working with patience in a liberal environment will produce positive results and give us a strong sense of accomplishment. Akiyama: Giving appropriate discretion to individual

employees can allow them to develop an indomitable spirit. Murata: I was impressed with many stories about the tough experiences of participants. These experiences made you the persons you are today, and you should be justly proud of that. I think that as a result you can use your own discretion in performing your tasks. This business mindset should be passed on to younger employees, with appropriate support from their supervisors.



Important points!

- Suminoe Textile Group's unique features that have been reaffirmed
- \odot Foresight to identify the needs of society and the practical power to develop products that meet these needs in a speedy manner
- © Workplace capabilities in trustworthy and indomitable front-line personnel who have coped with demanding requirements and challenges
- ◎ A workforce with solidarity, generated by close people-to-people relationships
- ◎ Large discretion given to individual employees, for good or ill, allowing them to exercise their own responsibility

DAY2 Closely Analyzing the Social Value of Suminoe Textile Group

On Day 1 of the talk session, participants identified Suminoe Textile Group's unique features that must not be forgotten. Based on these features, they discussed what is expected of Suminoe Textile Group by society and the future direction it should take.

Q: What roles has Suminoe Textile Group played in society thus far?

Yano: In 1896, Suminoe Textile delivered the first Japan-made seat coverings for railway cars. After the Meiji Restoration, Japanese society gradually shifted toward domestic production. Suminoe Textile responded to this trend, not just by imitating imported goods, but also by incorporating various ideas to produce interesting products. For instance, the Company supplied Japan National Railways with seat coverings designed with railway track motifs.

Nishino: Suminoe Textile has manufactured products for use in national theaters and other public facilities. Looking at this fact, I sometimes feel that we are selling trust and reliability to our customers.

Masuda: I think that the carpets and seats we produce are just like a cushion between interior spaces and people.



Akiyama: I know what you mean.

Masuda: Without any decorations, interior spaces are dry and impersonal, giving people a cold impression. However, interior decoration can generate a warm and comfortable atmosphere. In this sense, our products may serve as a psychological cushion for people. Akiyama: This also applies to Suminoe Textile Group employees who accept requests from customers.

Q: What do we choose not to do?

Akiyama: I think that our Company is willing to take on new things, but takes a down-to-earth approach.

Masuda: We don't take on what is beyond our capabilities.

Akiyama: Suminoe Textile will not imitate nor copy products of other companies. Also, our Company will not release the same products that our rival manufacturers sell, and will not ride roughshod over our competitors. We work aggressively but gracefully.

However, when it comes to a symbolic project, we never give up and are absolutely determined to win the order. Yano: When we need to put in so much hard effort in that way, we have the chance to take on new challenges.

Q: What do we choose to do?

Yano: To set new trends, we manufacture products based on hard-to-duplicate technologies. We don't merely make a product that meets the customer's request; we dare to put time and labor into producing the product without any fear of failure.

Matsuyama : As a background, Suminoe Textile Group has high technological capabilities that underpin our products. Another asset of our Group is originality in design.

Masuda: In addition, our Group has preserved handweaving and other traditional techniques. Since Suminoe Textile's founder originally started the business by manufacturing hand-woven carpets, the Group has attached importance to preserving these traditional techniques. This is also to make social contribution. We are convinced again that our roots lie in these traditional techniques, and that it is important to look back on the Company's history from its original business.

Nishino: To pave the way for the development of new products ten years ahead of their time, we often team up with material manufacturers, IT companies and universities. While valuing our relationships with these potential business partners, we take on challenges in a flexible manner.

Yano:We are sincerely working to respond to customer expectations and requests without cutting corners. Sometimes we receive orders that entail technical difficulties. Even though we understand these difficulties, we commit ourselves to the task once we have accepted it.

Masuda: I believe that this attitude helps us win customer trust. If a customer places an order to manufacture the same product that we did several decades ago, only our Company can meet that request; other companies cannot do it.

Yano: Among these examples are the carpets that Suminoe Textile delivered to the Diet Building.

Matsuyama : We must carry out this kind of order with the responsibility of a professional company.

Masuda: A value that cannot be measured by profits lies here. We don't just sell the products that we produce. It is important for us to satisfy the feelings of our customers.

Yano: This kind of professional attitude represents Suminoe Textile Group's unrefined but attractive features.

Q: What social issues do you think we can resolve through manufacturing?

Nishino: Suminoe Textile has been aware of the importance of producing eco-friendly and recyclable



products, and contributing to people's health. We are proud to say that our Company manufactures products that are friendly, both to people and the Earth.

Yano: Essentially, our products are soft and tender. Nishino: It may be because of our Company's policy that we don't very often produce pointed or sharp products. I think that our basic policy is to provide products featuring people-friendly designs that help create a space with a relaxing atmosphere.

Masuda: I'd be happy if we can offer added value that brings peace of mind and comfort to our everyday lives and living spaces. Interior materials have a positive effect on people's state of mind.

Nishino: I have heard that scientifically, humans feel greater peace of mind when touching fibers than when touching something dry and impersonal. Basically, the human body, including skin and muscles, is made up of fibers.

Q: In summary, what kind of social role can Suminoe Textile Group be expected to play in the future?

Masuda: I think that Suminoe Textile Group can be expected to take the lead in the industry as a pioneering manufacturer of interior products.

Yano: In present-day society, which is flooded with goods, people's tastes are diversifying. We should therefore produce products tailored to the various preferences of our individual customers.

Akiyama: Let me suggest that Suminoe Textile Group can also play the role of the "weft" of society. To be more specific, we should consider how our Group can connect to the needs of society.

Yano : There are many different industries in the world. I hope that we can bind together different types of industries, just like the weft of a fabric.





Important points!

- Social roles that Suminoe Textile Group has played so far
 © Giving concrete form to what is required by society, by creating added value
- Offering trust and reliability to its customers
 Manufacturing products that provide people with comfort and peace of mind
- Accepting requests no matter how difficult they are, and responding to these requests earnestly
- What we choose not to do
- Reckless strategies and things that are beyond our capabilities
- $\ensuremath{\mathbb O}$ Imitating other companies and getting ahead by riding roughshod over others
- What we must accomplish
- Manufacturing products that are hard-toduplicate, taking advantage of the Group's technological strengths
- Preserving hand-weaving and other traditional techniques
- Paving the way for the development of next-generation products
- © Continuing to attach importance to partnerships with customers and suppliers
- ◎ Wining orders for symbolic products without fail
- Roles to be played by Suminoe Textile Group in the future
- © Enriching the minds of many more people through a wide range of proposals for solutions
- Taking the lead in the industry as a pioneering manufacturer of interior products
- © Contributing to society in fields related to healthy living and lifestyles
- Respecting Japan's unique features and traditions, and helping to develop these assets in the future
- Weaving ties between people and companies though our business activities

Toward our Future Vision

Since the remote past before we were born, Suminoe Textile Group has carried its unique features into the present day. The talk session reminded us that these features have served as a firm foundation, of which we have been unaware. In this difficult age, it is all the more necessary to have a future vision. In the next time session, we are planning to look at our future vision.

Hand-weaving techniques passed down in the Tango region ~In search of the roots of Suminoe Textile~

Traditional hand-weaving techniques, developed by our founder Denshichi Murata in 1883, passed down to future generations

Tango Textile Co., Ltd. began its history in 1947 as the Amino plant of Suminoe Textile, producing hand-woven carpets. It has been involved in various landmark projects that shine in Suminoe Textile's history, including the "Tsuzure-ori" plush hand-woven curtain for the Kabukiza Theatre (Tokyo) and hand-woven carpeting for the Homeiden State Banquet Hall. Over time, the demand for such products has been decreasing. As such, fewer craftspeople remain these days. However, the hand-weaving techniques have been surely passed down and the company has been responding to many requests from tradition-minded customers. In search of the roots of Suminoe Textile, I visited Tango Textile Co., Ltd., where the spirit of manufacturing is still alive.



It takes a long time to "foster" the textiles

Tango Textile Co., Ltd. is located approx. three hours by train from Osaka in Kyotango City in Kyoto Prefecture, a place blessed with a rich natural environment.

First I toured the manufacturing area. Among all the rugs produced, Tango Hooked Rugs are a special order item with the highest degree of freedom, allowing a wide range of color and size options. "Tsuzure-ori" (a variety of tapestry weaving) is a plush hand-woven curtain whose manufacturing features the beams where the warp yarn is rolled. The equipment at Tango Textile can create a 33-meter wide plush curtain, the largest of its kind in Japan. Tango Textile's plush hand-woven curtains are used in highly visible locations such as the National Theatre and various

cultural halls. "Textiles are made up of warp and weft yarns. In hooked rugs, U-shaped yarn loops are inserted. In the Tsuzure-ori, the weft yarn is interlaced in the warp yarn." Hand-woven carpets are made by knotting pile yarn on the warp yarn, with the dotted knots creating patterns. Knot in a figure eight, then cut, knot in a figure eight, then cut, and so on. This work requires much patience. It might seem like a simple task, but it takes at least several years to get the knack, and even after working on it for decades, new understanding can still be discovered.

The techniques are developed as a result of investing much time and effort. I learned that such textiles, the fruits of such techniques, are also manufactured, or "fostered," with time and care.



[Tango Hooked Rugs] These are called hooked rugs since U-shaped yarn loops are inserted, using equip- ment called a hook gun, into the base cloth set on a frame. Made with techniques originating from the traditional handwoven rug (Sakai-style rug) manufacturing, Tango Hooked Rugs feature a hand-woven texture, magnificence, and grandness.

Suminoe Textile Group CSR Report 2016

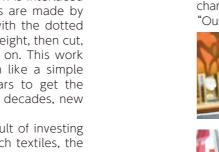
21



[Tsuzure-ori plush hand-woven curtains] This is the ultimate artistic textile, characterized by its unrivaled magnificence, grandness, and dignity. Hatsurime (small gaps along the warp yarn created by the weft yarn woven back at the color boundaries) is a big feature.



[Hand-woven carpets] Pile yarn is knotted in a figure eight one by one on the double warp yarn. This is the same method used in manufacturing Persian carpets. Being expensive, these carpets are often considered a form of artistic craft.











There are values that only hand-woven textiles can offer

"No two hand-woven products are the same. Each manufacturer creates products with his or her unique characteristics," says the president about the attraction of hand-woven products. "The manufacturer's passion is incorporated in the hand-woven products, so they are full of warmth."

What impressed me most during the tour of the manufacturing area was the hard task of hand-weaving. The yarns are woven one by one by hand; a daunting task when viewed by someone unskilled in the craft. The lead time is very long. The hand-woven carpet delivered to the Homeiden State Banquet Hall (915m) in the newly built Imperial Palace in 1968 was manufactured by approx. 10,000 workers over a period of nine months. "The products are made with such great time and effort, so they are treasured by users." A shift from material values to spiritual values – in today's society where disposable commodities are quite common, hand-woven textiles somehow convey the spirit of taking good care of things. At the same time, the company is facing the problem of how to passing on the techniques to the next generations. Recently, young people are being employed and efforts

Missions that cannot be accomplished anywhere else

Most of the craftspeople are female. I asked three craftspersons when they felt rewarded at work. Ms. Ogaki, in charge of special order items, said, "I sometimes see products I created on TV. I feel happy when I say this to my friends and they say 'That's great!" Ms. Morita, in charge of plush hand-woven curtains, said, "I feel the same. The curtain delivered to the National Theatre is seen by many visitors." Ms. Ogura, in charge of hand-woven carpets and hooked rugs, said, "Our products cannot be mass-produced, but they are

being made to pass down the valuable techniques to the next generation. To continue the business, securing profit is also a major issue. In the stream of the times, the first turning point for the company was the adoption of the method of hand-hooking, in addition to hand-weaving. The second was automatic production by robots. With the current decrease in demand, the company is now looking for its third turning point.

"If we stick to the old-fashioned ways, the company cannot keep going. While maintaining basic techniques, we are looking for a breakthrough via streamlining as well as developing additional technology and values."



Sample of the carpet for Homeiden



used in significant places such as the Imperial Household Agency and the National Diet Building." Though they handle different items, all of the women were proud that what they had created are now serving useful purposes in the world. They also shared a passion for manufacturing, trying to create better products that satisfy customers as much as possible. Ms. Ogaki said, "When I was a beginning employee, my seniors said, 'You must not be satisfied with what you made. Always aim to be better because our products will remain for a long time.'" What Ms. Ogura mentioned – "My pursuit never ends" – was such a profound message and one that only those who have struggled for many years could say.

They said that they wanted to pass on the techniques that they had taken over from their seniors and developed for the following generations. "Our products will last for 20 to 50 years. When a customer requests the same product again, we must respond to such requests because no other companies can do that." Through my visit, I was able to meet craftspeople who are engaged in manufacturing with a sense of responsibility, and thus discover the roots of Suminoe Textile.

[After the visit]

On June 27, I visited Tango Textile Co., Ltd. for coverage. Before the visit, I had read the publication 60-year History of Suminoe Textile prepared by the CSR Promotion Department, and learned why and how the Amino plant was established, as well as the weight of its history and meaning of existence that were brought about via incidents such as the delivery of products to renowned buildings (The Carlyle Hotel, Homeiden, etc.). While interviewing the craftspeople, I strongly felt that the techniques are surely being taken over from the past, and that the past and present craftspeople share the passion for excellent products. It seemed to me that this was their pride, and that pride is an essential thing that we must maintain and cherish. — Hiroyoshi Akiyama Feature ③ Revitalization of Human Resources and Promotion of Women's Empowerment

Creating a New Era and Values by Developing Organizations with a Great Diversity of Human Resources

With the development and revitalization of human resources selected as one of majo work areas under the Medium-Term CSR Plan, we are active in developing human

Mirai-juku Program (a Series of Seminars on Future Growth).

We held the first "Mirai-juku" (lit. school of the future) program at the Head Office building of Suminoe Textile Co., Ltd., inviting employees wishing to attend the program, with the objective of offering opportunities for exchanges of views between management and young/mid-career employees. The first Mirai-juku program comprised three seminars, with the participation of 18 employees. To begin with, they introduced themselves and expressed their enthusiasm. At the first and second seminars, management delivered lectures to participating employees on the Company's history, industrial trends, future prospects, and the concepts and words that respective executives value, while citing their own experiences. The third seminar was held on the theme "What We Should Start Now for Ourselves Ten Years Hence." Participating employees made personal presentations on the theme, and received advice from the President of the Company.

They were also offered an occasion for a round-table talk with the President to listen to various stories, enjoying valuable experiences that could not be usually obtained. At the end of the program, participating employees were

allowed to ask questions, to which answers were supplied from the management meeting at a later date. In this way, the Mirai-juku program was highlighted by an interactive exchange of opinions. Participants made positive comments, which include: "I was greatly inspired when I listened directly to the words of senior executives," "The program provided me a good opportunity to reflect on myself," and "I was happy to have been able to have an exchange with participants from other departments."

The average level of satisfaction with the entire Mirai-juku program was 4.28 points out of 5, indicating that it was well-received in general. In the future, we will continue to hold the program, while expanding the scope of participants so that employees working nationwide can apply to join the program



Interviews with Next-Generation Employees to Foster their Growth

We conducted interviews with next-generation employees, designed to foster the growth of young employees. These interviews were held both on a group and personal basis, with 39 young employees who were in their first to fifth years of employment with Suminoe Textile Co., Ltd. In the personal interviews, interviewers (operating officers and advisers) held an hour-and-a-half interview with each young employee, on their daily questions and future plans.

[Comments from young employees]

- It was stimulating to talk with interviewers whose age bracket, experiences and viewpoints were different from ours.
- I had an opportunity to review my way of thinking and my attitudes toward work.
- I want to fulfill the duties that I am now engaged in, and then go to the next step.
- Other comments from female employees reflected their hopes to work longer,

to successfully balance their family and work, and to obtain support and advice from their supervisors and seniors.

[Comments from interviewers]

- On the assumption of "personal growth = change," what should the Company offer young employees in anticipation of their growth?
- To develop the mental capacity for work for which they have trained since school days, young employees should give top priority to complementing and improving their current shortcomings.
- These interviews with young employees are extremely significant as an occasion on which experienced senior employees tell young employees what they wish to pass on to them.
- I realized that talking with young employees on a one-to-one basis forms the basis for human resources development.

In the next year and onward, we will continue to hold interviews with young employees, with a particular focus on the growth of younger employees who will play leading roles in the next 100 years, and the establishment of a system to support their growth.

Questionnaire Survey on Workplace Comfort (In-house Employees' Opinion Survey) 2016

In March 2016, the Suminoe Textile Group held a Questionnaire Survey of Employees' Opinions about Workplace Comfort 2016, which gathered opinions from approximatively 80% of employees working in the Group companies.

In the survey, positive answers were submitted to the question asking employees if they have a strong wish to continue working at their present company for many years by a greater number of respondents than in the previous survey conducted in 2014.

A relatively high score (2.75 points) was recorded for the comprehensive level of satisfaction, which may indicate the gradual effects of our CSR activities.

In the future, the Suminoe Textile Group will continue to pursue its priority themes-harassment prevention, correction of problems related to working hours, and women's empowerment, while reflecting the survey results in its CSR activities to help invigorate Group employees.

Senior Employees Playing Active Roles



Masumi Tomomoto Senior Manager, Kinki District Sales Development Department, RUNON Co., Ltd.

- 1975 Joined RUNON Co., Ltd. as a mid-career employee, and was assigned to the Hiroshima Sales Office. Worked as the person in charge of the Shikoku region and opened
- the Matsuyama Sales Branch Office. 1997 Later returned to work at the Hiroshima Sales Office.
- Deputy Manager, Tokyo Metropolitan Area Sales Development Department
- 2003 Director, Osaka Sales Development Department, and then Director, Kinki and Central Japan Sales Development Department 2013 Retired on reaching the mandatory age of 60 Present Working as a Senior Employee engaged in export work

What, specifically, does your present work involve?

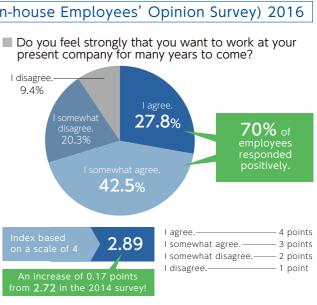
I am now involved in all the administrative duties related to exports, including making arrangements with shipping companies, as well as packaging for export and weighing to prepare invoices and packing lists. I sometime's go overseas on busine'ss trips, mainly to China. Recently I went to Vietnam, where I organized an installation seminar in Hanoi and Ho Chi Minh City, and demonstrated the deodorant effects of the 空気を洗う壁紙®(a deodorant wallpaper). Four years ago, I was involved in giving deodorization demonstrations as part of the media coverage arranged by a dealership in Mongolia in TV programs broadcast on nine TV stations and published in articles in two newspapers. I also offered telephone counseling during a live broadcast. I was privileged to have very valuable experiences



Appearance in a TV program (in Mongolia)

Seminar (in Vietnam)

How have you increased the number of overseas customers? The most important thing is to establish personal connections. As you are aware, particularly in China, personal honor and personal connections have a great influence. In a country with such a national character, I clearly realize that people-to-people relationships are essential. Vietnam has an indescribably vibrant atmosphere, specific to a country with a potential for future growth, just like Japan in the past. In the interiors of buildings, in many case walls are still finished with paint, not with wallpaper. From now on, however, the demand for wallpaper is expected to increase rapidly. I think that today's Vietnam resembles China two decades ago, and we should seize our business chance now.



What is the most memorable experience in your career so far? In 1987 when I was appointed Director of the Hiroshima Sales

Office, an interior finishing shop went bankrupt, shortly after our company had introduced the shop to a dealership. I regret the trouble that we had caused the dealership. Bill collection was delayed and our sales decreased, and we could not even talk with the manager of the dealership. Every day I struggled desperately to regain the trust of the dealership. Finally, I was able to win back trust and obtain greater support from the dealership than before. It was very hard, but I realized that there is truth in the saying, "after rain comes fair weather." think that it was an experience from which I learned a lot.

Do you have any favorite mottos?

My motto is the phrase "Learn by long experience." I seriously believe that the more complaints we address, the more we can grow ourselves. On the other hand, I hate ambiguous expressions, such as "seemingly" or "apparently." Whenever I find something uncertain, I make it a rule to check firsthand whether it is true or not. For instance, I did experiments to confirm whether our wallpaper can be removed completely or not, and to measure its degree of functionality, until I was completely satisfied so that could explain our products to customers with great confidence. believe that enthusiasm is the key to the ability to persuade customers, and that it is important for us to study by ourselves. Even now, I can never compromise this belief. Even after I became a Senior Employee, this attitude has remained unchanged.

What are your future plans?

I have still many things I want to do. For example, I would like to sell an adhesive that can be applied directly to vinyl wallpaper, and fleece (non-woven fabric) wallpaper, both of which have been achieved through the personnel connections I have established so far. Before l´retire as a Senior Employee, I want to properly hand over my present duties regarding exports and pass on the relevant know-how to my successors.

[Message from an employee in related department]

I have been working with Mr. Tomomoto since the 空気を洗う壁紙® (a deodorant wallpaper) was commercialized and released onto the market. To physically experience the product's effects for himself, Mr. Tomomoto actually used the wallpaper as insoles, created an original kit for deodorization demonstrations, and performed these demonstrations everywhere, both in Japan and abroad. I have learned a lot from his proactive and constructive attitude toward work. Additionally, when dealing with customers, even when addressing their complaints, he performs his duties

sincerely with comprising his belief, but without making customers feel unpleasant. I attribute these accomplishments to his warm personality. I will continue to emulate his enthusiasm, good personality and power of action.

Yoshinari Miyamura

Group Leader, Technical Center, Suminoe Textile Co., Ltd.



Feature ③ Revitalization of Human Resources and Promotion of Women's Empowerment

Voices of Local Employees Working at Overseas Subsidiaries

Overseas local employees replied to the following questions.

①When did you join the company? 6 What are your special strengths? 2Why did you want to join the company? ⑦What color is your personality? ⑧Nowadays what do you feel the most ③What does your work involve, and what aspect or your work do you find the passionate about? most interesting? 9What spots would you recommend in ④What do you like best about Suminoe? your local area?

⑤What do you do after work?

Suzhou Suminoe Textiles Co., Ltd. (SSO), China

Gao Feng Manufacturing Department



①July 2003

- ②Suminoe offered not only an attractive salary, but also an environment where employees can improve their skills through work and achieve self-fulfillment.
- 3Together with all other members in the Manufacturing Department, I am working to manufacture products with high quality and cost effetiveness, based on the requirements from customers. I feel the happiest when I am able to improve the work efficiency of my subordinate as a result of my efforts, so as to ensure smooth management.
- ④Suminoe features good human relationships in a style which appears to be cool at a glance, but is actually warm and compassionate.

⑤Taking a walk with my family.

- 6 am good at cooking Chinese dishes. ⑦Black (While black can cover up other colors, black cannot be replaced with others. Black is also a traditional color.) Taking a stroll.
- (9) The Classical Gardens of Suzhou is the best place to visit in Suzhou. Urban greenery is another feature that the city is most proud of. ⑩有付出就有收获、享受工作带来的乐趣!
- (Your efforts will pay off one day. Let's develop confidence through work!)



SPM Automotive Textile Co., Ltd. (SPM), China

Xu Yan Sales Department



①February 2010

- ②Since I studied Japanese when I was a university student, I wanted to find employment at a Japanese-affiliated company. Since joining SPM, I have learned a great deal in order to cope with my duties, all of which were a first experience for me. I like my present work.
- ③I am a sales representative and engaged primarily in developing new customers and providing customer services. I find it interesting to undertake new work.
- ④A pleasant working environment and wellbalanced human relationships.

⑤Watching television, reading books, and taking exercise.

- 6 am an active type of person and have excellent endurance. I like helping others. ⑦Green, which stands for hope and vitality. Travel and reading.
- (9)Shamian Island (known for its Westernstyle buildings), Canton Tower, and Redtory Art & Design Factory.
- ⑩为了遇见更好的自己、请别放弃、继续努力(^ω^) (Don't give up and work hard to find yourself better than yesterday.)





Fidencio Soto Sales Department



①December 2014

- ②I joined STM since I felt it exciting to experience new work in the automotive textile industry.
- ③I am in charge of sales and new projects. I serve as a contact person for all existing and future customers. I collect information from all teams within STM, and disseminate the gathered information to these teams. I take on new challenges and try to achieve my goals, which arouses my interest every day.
- (4) The long history of Suminoe in the industry, and the highest quality that characterizes all the products manufactured by Suminoe Group companies.
- ⑤I enjoy playing with my children, and playing chess online.
- ©I can conduct appropriate management in an emergency and under unusual situations.

PT. Suminoe Surya Techno (SST), Indonesia

Asep Juliana

Quality Control Department

①August 2014

②Since Suminoe is a large company, I wanted to join it.

- 3 My work involves quality control (QC) and management of QC-related documents. ④Suminoe has wonderful employees and
- has a good management style.
- ⑤I enjoy playing games and listening to music.
- ⑥I am good at cooking.
- ⑦A good combination of red and white*.

*The flag of Indonesia comprises two colors, red and white. Red represents courage and white represents purity. We take pride in the combination of these two colors.

⁽¹⁾Do you have any message to employees at other Suminoe Textile Group companies?

Suminoe Textile de Mexico, S.A.de C.V. (STM), Mexico

- ⑦White (As white can be easily mixed with other colors, I can help other people around me anytime.)
- (8) am passionate about studying all the processes and materials, so that I can submit a more accurate estimate to customers.
- (9) El Torito Steak (a local restaurant, which serves a wide variety of dishes at reasonable prices. The restaurant has an area where children can play while customers have their meals with family members and friends.)
- ⁽¹⁾;Ama a tu prójimo como a ti mismo y a Dios sobre todas las cosas y Siempre persigue tus sueños! (Love your neighbor as yourself and love God who is above all things, and always chase your dreams!)



⑧I am absorbed in music. I love listening to and performing music. Index Standard Stand Standard Stand Standard Stand Standard Stand Standa Volcano), Bandung, Indonesia ⁽¹⁾Tetap semangat dan berikan yang terbaik untuk SUMINOE Group (Keep on seeking your aspirations and do your best for the development of the Suminoe Textile Group.)

Initiatives for Women's Empowerment

The Company has established the following three targets. ①Increase the ratio of female employment.

- ⁽²⁾Create a system to support employees continuing to work and developing their careers.
- ③Introduce improvements to address the results of the questionnaire survey of employees' opinions about workplace comfort - This section introduces initiatives implemented as part of our efforts to achieve the above targets.

Lecture Meeting to Promote Women's Empowerment

In January 2016, we held the Lecture Meeting to Promote Women's Empowerment, inviting Ms. Kimie Iwata*, President of the Japan Institute for Women's Empowerment & Diversity Management, to deliver a lecture. The morning session began with an opening address by President Yoshikawa of Suminoe Textile Co., Ltd. Senior executives and managers then listened to lectures on reviewing employees' working styles and training for female employees. The afternoon session was geared to female employees, to whom the lecturer talked about her own experience regarding how to strike life/work balance. Many participating employees made comments such as "I became aware again of the most productive way of working," "I was impressed with the topic about education that fits individuals," "The lecture meeting provided me with an opportunity to consider my future life and career."

In the future, we will constantly raise awareness of women' empowerment, in order to create a working environment where female employees can continue to work for as long as they wish with a sense of fulfillment.

*Ms. Kimie Iwata, President of the Japan Institute for Women's Empowerment & Diversity Management Entered the Ministry of Labor in 1971, and then joined Shiseido Co., Ltd. in 2003.

Her present positions include External Director of Japan Airlines Co., Ltd., Outside Director of Kirin Holdings Co., Ltd., and External Director of Stripe International Inc. She is actively working in a variety of fields.





Ms. Kimie Iwata delivering her lecture

President Yoshikawa offering his greetings

Manual for Supporting a Balance between Work and Childcare

We have prepared a manual that provides information on systems that employees can use when they give birth and raise their children, and return to work after an extended absence. The manual also describes what their supervisors and coworkers should take care of. Its aim is to help readers deepen their understanding of the relevant rules to offer clues to balancing work and childcare. The manual was posted on the in-house intranet.



a Balance between Work and Childcare

Last year, we held six training sessions by level, to raise participants' awareness of women's empowerment and inform participants of the publication of the manual on the intranet and other efforts by the Company to help employees strike a work-childcare balance. We will continue to actively communicate these initiatives to all employees.

Participation in the Women's Empowerment Support Forum

As in the previous year, two female managers and two mid-career female employees from the Suminoe Textile Group participated in the Women's Empowerment Support Forum organized by the Japan Institute for Women's Empowerment & Diversity Management. The Group will continue to send female members to the forum, aiming not only to enhance their motivations and capabilities, but also to allow them to broaden their horizons, by exchanging views and forming a network with women who are actively working at other companies and in other industries.

[Comments from participants of the course for managers]

Mana Sugiura Section Chief, Third Section, Third Contract Department, Kinki Block, SUMINOE Co., Ltd

Naoko Watanabe

Co., Ltd.



I participated in the two-day training course, which was a truly stimulating and precious experience for me. The course was attended by 35 female managers from various industries, who usually do not have a chance to come into contact with each other. The female lecturer, who became a scholar after having worked at a foreign-affiliated company, gave an easy-to-understand lecture while talking about her own experiences. Then, a group discussion ensued, in which participants enthusiastically talked about themes familiar to them. Hearing other members' views and opinions which were different from mine meant that I was able to broaden my perspective and learn a lot of things.



At first, I was very nervous because I imagined that the other participants would all be aggressive career women, given that the seminar was designed for female managers. Unexpectedly, however, I found that many participants had a peaceful and pleasant demeanor. I thus realized that now it is nothing special for women to become managers. In particular, female employees working in the banking industry have made remarkable advancement. The two-day course was very inspiring, since I was able to exchange ideas and opinions with attractive female leaders from other industries.

Vigorous Activities Demonstrated by Female Employees

In this present issue, we interviewed two female employees striving to further develop themselves, about fulfilling experiences they've had at work and what they attach importance to every day.



Megumi Oshima Section Chief, New Business Department, SUMINOE Co., Ltd. Joined the company in 2007

[Pleasure of Creating Products from Scratch and Marketing Them]

Since I was a child, I have loved the texture of fabric. Also, I was engaged in sales of interior products previously. I joined the company with the expectation that I could use my past experience. At present, I oversee the online sales of an interior shop called "cucan." To be more specific, I am in charge of sales management and product planning, layout of the website, and management of staff members. When we take photographs of a newly created product, sometimes we have to take 30 shots a day. Although it is very hard, it's actually fun to create a product as we want, and to introduce it to the market. Additionally, I find it very interesting and worthwhile to be able to see a brand in which I have been engaged since it was launched gaining support from customers.

[More Keenly Feeling Customers' Presence]

I try to perform my duties while always keeping the presence of the customers who use our products in mind. When I receive words of thanks from customers via e-mails and letters, I can realize that our customers are pleased with the products we have delivered. In such a moment I can feel closer to the customers. Going forward, I will continue to attach importance to the point of contact with our customers, through such means as the e-mail newsletter that I have distributed since I joined the company.

[My Future Vision]

I hope to develop "cucan" to make it the first choice for customers when selecting an interior shop. To realize this vision, I always devise measures while considering how to better coordinate with directly managed stores and seeking advice from my supervisor. I am grateful to my supervisor for granting me such broad discretion. In my department, there are several employees who are raising children. I will progress together with these working

mothers/fathers, by, for instance, assigning them long-term jobs to make it easier to work, toward the realization of our future vision.



Impression of the Interviews

During the interviews with these female employees, they talked about their work and future visions brightly and cheerfully, which conveyed their love and enthusiasm for their work. We felt that, in order for women to continue to work and develop their careers, finding their own pleasure and sense of satisfaction in their work serves as a great driving force. We will continue to push forward with initiatives regarding women's empowerment, to ensure that more and more female employees have fulfilling experiences at work.



Manami Kinoshita Director Kinki Center Suminoe Logistics Co., Ltd. Joined the company in 2009

[Shipping Products to Customers with a Sense of Mission]

I have long liked to work on logistics, which is the process of efficiently transporting products to complete orders. I joined Suminoe Logistics in 2009 after working at another logistics company. As the Director of the Kinki Center, I am now in charge of its management. My main duties are striking a balance between payment and management of front-line jobs. Specifically, I consider how to improve work efficiency, conduct sales activities, negotiate with transport companies, and deal with customer complaints. Shipping products to customers marks the last and most important stage of Suminoe's workflow, from product development, manufacturing and sales. I am proud of playing this important role.

[Overcoming Difficulties through Teamwork]

I believe that advance preparation is the key to success in logistics. We consider how we should do something to ensure efficient and accurate product shipment. By openly sharing information and exchanging ideas, we review how to improve the way to place and lay out products, and move them for smooth logistics. Staff members engaged in logistics may have some difficulty in realizing the pleasure in their daily work, because the results are invisible. However, I can certainly feel great pleasure when I see these employees work in concert to seriously seek better solutions.

[Appreciation to Those Who Have Supported Me, and What I can Do Next]

When I was appointed as the Director of the Kinki Center, I was wondering what I should do and whether I could fulfill the responsibility given to me. However, I also thought that it was a good opportunity to take on a new challenge. Even now, there are many things I do not know and I am studying hard every day. I am happy to be supported by my supervisor and staff members. Thanks to their kind support, I am able to accomplish my work now. I thought that I should not just do the same thing that other

center directors are doing, but work out my own way of running things. I was then determined to closely look at and give careful consideration to the details of our everyday operations. I wish to maintain this attitude in the future.



Referencing the ISO 26000 guidelines, we have classified CSR activities into seven categories, for each of which we have set medium-term targets. The results for fiscal 2015 are shown in the table below.

A: Accomplished, B: Almost accomplished, C: Not accomplished

CSR ategory	Related page	Priority item	Major theme	Targets for FY2015 and onward	FY2015 results	Self- assess- ment							
		Corporate govern-	Corporate govern-		Hold discussions at meetings of the Board of Directors, the Board of Corporate Auditors. and other committees, to pro- mote fair corporate activities.	- Hold meetings of the Board of Directors and the Board of Corporate Auditors, and review activity plans at CSR Promotion Committee meetings.	- Judged that the Company's governance did not work properly in preventing the inappropriate accounting at STA.	С					
Go		ance	Evaluate the effectiveness of internal control over financial reporting of Group companies that fall within the scope of assessment.	- Implement activities with the Financial Control Committee playing a central role. [Target:Number of material weaknesses:0]	- Judged that there was material weakness, and submitted an internal control report.	С							
Governance and compliance	P.14 ~16		Promote the Code of Conduct and the Code of Corporate Behavior of the Suminoe Textile Group.	Establish the Suminoe Textile Group Compliance Program. - Provide compliance ducation at training by level. - Distribute the Compliance Guidance to new employees and hold seminars to provide them with basic compliance knowledge. - Provide other types of education programs, including education through the in-house intranet and group training. [Rate of plans implemented:100%]	 Provided compliance education at training by level and training for new employees. [Rate of plans implemented:100%] However, the training program contents must be reviewed to make them more effective in the future. 	В							
npliance		Compli- ance	Continue compliance- related monitoring.	- Conduct compliance audits in rotation. [Rate of plans implemented: 100%]	- Implemented compliance audit. [Rate of plans implemented :100%] However, audit for overseas subsidiaries must be improved.	в							
			Announce the Hotline to all employees.	 Announce the Hotline to all new employees. Announce the Hotline to all employees as part of training by level and power harassment prevention training. [Target : 100%] 	 Announced the Hotline to all new employees. Announced the Hotline to all employees as part of training by level and power harassment prevention training. [Target:100% → result:100%] However, operations of the Hotline system must be reviewed mainly at overseas subsidiaries. 	В							
Operating	P.37 Fair trans- action		Visualize the status of contracts, and implement legal education and monitoring concerning business transactions.	 Implement education regarding the Subcontract Act. Conduct internal audits. [Rate of plans implemented:100%] 	 Implemented education regarding the Subcontract Act through group training programs. Conducted internal audits. [Rate of plans implemented:100%] 	A							
ing Ces	_	Green Procure- ment	Promote the Green Procurement Guidelines.	- Distribute the guidelines to suppliers and collect Green Procurement records. [Target:Once a year]	- Distributed the guidelines to suppliers and collected Green Procurement records. [Target:Once a year → Result:Once a year]	А							
	P.23 ~28· P.35					Respect for	for	Respect the diversity of employees to create a comfortable working	 Have subsidiaries submit their plans for measures to achieve the legally required percentage of employees with physical disabilities. Reflect on the results at the end of the term. (SUMINOE Co., Ltd., RUNON Co., Ltd., Suminoe Logistics Co., Ltd., Suminoe Techno Co., Ltd., Tango Textile Co., Ltd. Teijin Tecloth Ltd. and Owari Seisen Co., Ltd.) 	 Achieved the legally required percentage of employees with physical disabilities at Suminoe Textile Co., Ltd. At subsidiaries, measures to achieve the legally required percentage not yet implemented. 	С		
Human Rights employees, and		diversity	diversity	diversity	diversity	environment.	- Hold interviews between Senior Employees and their supervisors at the time of feeding back evaluations of these employees. - Publicize the active roles played by Senior Employees through the CSR report.	- Held interviews between Senior Employees and their supervisors at the time of feeding back evaluations of these employees. - Publicized the active roles played by Senior Employees through the CSR report.	A				
Human Rights, er							Implement group training to help employees improve their skills and abilities.	 Provide training sessions by level and by theme and improve the content of these sessions. 	Training by level: Discussed the content as in previous years. Training by theme: Implemented training by selecting two themes ('How to Read the Three Types of Financial Statements' and "Time Management").	А			
mployment, treatment of		~28.	$\sim 28 \cdot$	$\sim 28 \cdot$	$\sim 28 \cdot$						Develop globally competent human resources.	- Create the foundations of a system to develop globally competent human resources.	 Administered TOEIC tests for new employees and those wishing to take the tests. Provided foreign language training programs (school attendance course, correspondence course, and training course before leaving for overseas duty). As a future task, we will create the foundations of a system to develop globally competent human resources.
nployment, treatment of nan resource development								Human resource develop- ment	Women's empowerment.	 Dispatch female employees to the Women's Empowerment Support Forum. Hold a seminar to promote women's empowerment geared to managers and female employees. Prepare a Manual for Supporting a Balance between Work and Childcare. Publicize the active roles played by female employees through the CSR report. Publicize the active roles played by female employees at training by level. 	Implemented all the following measures: - Dispatching female employees to the Women's Empowerment Support Forum. - Holding the seminar to promote women's empower- ment geared to managers and female employees. - Preparing the Manual for Supporting a Balance between Work and Childcare. - Publicizing the active roles played by female employees through the CSR report. - Publicizing the active roles played by female employees in training by level.	A	
			Revitalization of human resources.	Implement measures to revitalize human resources. Hold interviews with next-generation employees for first- to fifth-year employees. Hold lunch meetings. Hold the Mirai-juku program (a series of seminars on future growth).	Implemented measures to revitalize human resources. - Held interviews with next-generation employees for first- to fifth-year employees. - Held the Mirai-juku program (a series of seminars on future growth).	A							
Safety, disaster prevention, and health	P.36	Occupa- tional health and safety	Promote activity plans to protect the safety of employees.	 Share initiatives carried out at the offices/factories of those establishments with Health and Safety Committees. Designate the persons in charge of health and safety as well as the persons in charge of health, at small offices/factories. Regularly provide safety education. [Target: Rate of lost-worktime injuries:1] 	 Shared initiatives carried out at the offices/factories of those establishments with Health and Safety Committees. Designated the persons in charge of health and safety as well as the persons in charge of health, at small offices/factories. Regularly provided safety education. [Target:Rate of lost-worktime injuries:1 ⇒ result:1.32] 	С							
health		-7		- Carry out disaster drills. [Rate of plans implemented: 100%]	- Carried out disaster drills. [Rate of plans implemented: 100%]	A							

CSR category	Related page	Priority item	Major theme	Targets for FY2015 and onward	FY2015 results	Sel asse me
Sa Sa				 Provide anti-harassment training at four offices/factories. Disclose the behavior rules for harassment prevention. Publicize health consultation services. Conduct stress checks. 	 Provided anti-harassment training. Designated harassment counselors on a trial basis, aimed at establishing a system to enable employees to easily seek advice. Publicized health consultation services. Conducted stress checks. 	A
Safety, disaster prevention, and health	P.36	Occupa- tional health and safety	Provide care to maintain the health of employees.	 Introduce time recorders to major offices/factories. Establish a system to periodically check working hours to give guidance to employees who work long hours. 	 Introduced time recorders to major offices/factories. Periodically checked employees' working hours to confirm whether there were differences between actual working hours and the records on the time recorders, and provided guidance where necessary. Held seminars on labor laws, eight times at six offices/factories. 	,
alth				 Prepare materials with which the entire picture of the present operational system can be understood. Consider measures regarding integrated plans to enhance operational efficiency. 	- Continued to check inefficient activities that had been identified.	I
Environ- ment	P.39 ~44	Reduction of environmental impact from business activities	Prevention of global warming.	See page 42		
		Business continuity plan (BCP)	Promote a business continuity plan (BCP) to be implemented in the event of emergency or disaster.	 Publicize the BCP action plan. Conduct a safety confirmation drill at Head Office to identify the points to be improved. 	- Conducted the safety confirmation drill at Head Office.	
	P.37	Intellectual property	Promote understanding of intellectual property.	- Implement awareness-raising activities regarding intellectual property rights (through the in-house intranet and training sessions). [Rate of plans implemented:100%]	- Implemented awareness-raising activities regarding intellectual property rights (through the in-house intranet and training sessions). [Rate of plans implemented:100%]	
Risk m	~38	Information	Provide information security education (security of information terminals and personal information protection).	 Provide information security education. Require employees who carry company-owned mobile phones to submit a written security pledge. Establish a system in response to the Social Security and Tax Number System, and provide relevant education to employees. 	Provided information security education. Collected a written security pledge from employees who carry company-owned mobile phones. Established a system in response to the Social Security and Tax Number System, and provided relevant education to employees.	
Risk management		security	Carry out awareness- raising activities to prevent insider trading.	- Continue awareness-raising activities to prevent insider trading.	 Called attention of officers and staff members in charge to careful handling of insider information, in consideration of the accounting problems at STA. 	
T.	-	Quality improve- ment	Promote quality improvement efforts.	 Regularly hold Quality Assurance Joint Meetings (quarterly), and continued activities to share the initiatives regarding quality management (activities to reduce the percentage of defective products and the losses due to defective quality), and chemical substances regulations. 	 Regularly held Quality Assurance Joint Meetings (quarterly), and continued activities to share the initiatives regarding quality management (activities to reduce the percentage of defective products and the losses due to defective quality), and chemical substances regulations. 	
	_	Customer satisfaction improve- ment	Appropriately respond to customers and share customer service experience company-wide.	- Report the content of inquiries/complaints received by the Customer Service Center to the CSR Promotion Committee.	 In FY 2015, the Customer Service Center received 2,115 inquiries/complaints. Among them, inquiries about products, standards, prices, and functionality accounted for 48% (1,019 cases), and complaints accounted for 6% (124 cases). 	
Consur	-	Information disclosure	Properly disclose investor relations information.	- Quarterly disclosure of summary of financial results to the Tokyo Stock Exchange, and published the summary on the Company's website.	 Due to the accounting problems at STA, the announcements of financial results for the 127th period and the first quarter of the 128th period were delayed. However, the factors that caused the problems and the process of investigation were disclosed at the right time. 	
Consumer issues / Social contribution management activities	_	External communi- cations	Promote communication with stakeholders (publicize the strength of the Company).	 Hold conventional external communications. Determine the actual conditions of external communications. 	 Presented Suminoe Textile booths at various exhibitions, including JAPANTEX2015, the 80th Tokyo International Gift Show, and the Mass-Trans Innovation Japan 2015. Held almost the same number of dialogs with institutional investors as the previous year, and actively communicated with institutional investors, with the aim of increasing their understanding of the Group's business and its results. Improved IR information published on the website. Actively disclosed information by posting our three-year medium-term management plan and IR meeting handouts, in addition to disclosing legally required documents. However, there was a delay in disclosing materials announcing the financial results, due to the STA accounting problems. Held a talk session to consider Suminoe Textile Group's unique features and social roles from the viewpoint of employees, and introduced the session content in a feature article in the CSR Report, to provide readers with a clue to the corporate image of the Group. 	
activities	P.45	Social contribu- tion activities	Contribute to the local communities. Carry out social contribu- tion activities relating to environmental protection.	 Formulate the guidelines (fields and concept) for social contribution to be implemented by the Suminoe Textile Group and obtain the approval of the CSR Promotion Committee. Propose plans for specific activities that will be selected by the CSR Promotion Committee, or invite employees to submit these plans. 	 Continued local contribution activities and environmental protection activities, and started to discuss the guidelines (fields and concept) for social contribution to be implemented by the Suminoe Textile Group. 	

Together with Our Customers

(Delivery Track Records)

The Suminoe Textile Group works together with customers to offer comfortable public spac

Delivery Track Records of Interior Decor Products

Osaka Ibaraki Campus, The Ritsumeikan Trust



The Ritsumeikan Trust's new Osaka Ibaraki Campus (hereinafter "OIC") is designed to serve the cause of energy-saving, through not only introducing state-of-the-art energy-saving technology, but also fostering environmental awareness as an educational institution.

While the university has set the mid-term target of reducing annual energy consumption (per unit area) by 25% compared with the result of FY2008 by 2020, OIC is designed to achieve this target in its first year, and aims to meet an immediate target of 35% energy consumption reduction.

This initiative has been selected as a FY2013 Leading CO₂ Reduction Project for Housing and Other Buildings by the Ministry of Land, Infrastructure, Transport and Tourism. Because The Ritsumeikan Trust's principle of creating a virtuous cycle leading to the reduction of environmental burdens corresponds with Suminoe Textile Group's en-

vironmental policy, we proposed that the university adopt $ECOS_{\circledast}$ recycle carpet tiles, and so the university adopted the product.





[Sales representative's view]

Jun Hirata Deputy Manager, Development Department,Western Japan SUMINOE Co., Ltd.

This time, hoping to contribute with our products to "a sustainable and recycling-based future of the global environment," which Ritsumeikan aims for with OIC, we proposed to designers at Takenaka Corporation that they adopt the recycled carpet tiles under the ECOS® "closed-loop recycling" system. The product appealed to them because of its great advantage of a distinctively higher recycled material ratio than other companies' products, the strong resistance of spun-dyed nylon to color-fading especially in spaces exposed to intense sunlight, and a cost-effectiveness as high as conventional products.

[Client's comment]

Mr. Tetsurou Moriyama Deputy Managing Director, Office of Facilities Management The Ritsumeikan Trust

The Ritsumeikan Trust has established an in-house Global Environment Committee, and promotes not only energy-saving but also the reduction of CO_2 emissions. We have set concrete targets for the reduction of energy consumption. OIC in particular aims to achieve a more ambitious target by taking various energy-saving measures, and it has been selected as a FY2013 Leading CO_2 Reduction Project for Housing and Other Buildings by the Ministry of Land, Infrastructure, Transport and Tourism. Amid such environmental efforts, Takenaka Corporation proposed adopting ECOS_® recycled carpet tiles.

We have adopted this product because it boasts a world-class recycled material ratio and costs no more than conventional products, as well as a luxury appearance and fine design, which are also worth considering.

Delivery Track Records of Automotive Textiles

PRIUS, Toyota Motor Corporation



Toyota Motor Corporation's New PRIUS, launched on December 9, 2015, is the fourth generation of this model, which arrived on the scene as a pioneer of Japan's leading "hybrid system" in 1997.

The New PRIUS has achieved a high fuel efficiency of 40.8 km per liter (in the case of Grade E), beyond the reach of other rival products. The model includes a 4WD type equipped with the E-Four system, which helps smoothly switch to 4WD mode when you accelerate the car or on slippery or snow-covered



[Sales representative's view] Jun Takashima Third Sales Department Suminoe Teijin Techno Co., Ltd.

Given that our products are adopted for a representative Japanese car, these products are major key products for us.

I think that these fabrics are a kind of "crystallization" of the collaborative efforts made by many people, from the Product Development, Design Development, Production Technology, and Quality Management Departments, not to mention the Design Department. If you have some leisure time on a day off, please drop by a Toyota dealer with your family, partner or friends, to "watch, touch, and feel" the fabrics.



roads.

Our products are employed as seat cover materials for all three grades featuring fabric seat covers.

To develop products for Grades A and S as main grades, we began by developing the material, keeping in mind the keywords of "gloss" and "smooth feeling." We adopted the design of embossed patterns layered on weave patterns woven with new high-quality glossy materials, to create a new type of "gloss.



[Designer's view]

Kazunori Nakabayashi Group Leader, Design Department, R&D Center Suminoe Teijin Techno Co., Ltd.

The task of developing fabrics for the New PRIUS was very challenging because it required us to create unprecedented products suitable for this pioneer hybrid car while maintaining the PRIUS brand image. Additionally, its high production target of 25,000 cars (of the target grade) per month means that we can provide the many users and passengers with the interior space we were involved in. Given this fact, we had to cope with increased pressure during the competition.

CREATO, a product employed for the New PRIUS, is a high-density fabric with a sophisticated and elegant gloss created with modified cross-section yarns. Taking into account the necessity of mass production, we adopted dobby cloth suitable for constant mass production, and challenged the limits of patterns that can be created with it. The fabric features an appearance with the impression of depth, created with a combination of the active-looking gradations of vertical stripes different in gloss and width and the active-looking embossed horizontal patterns.

Delivery Track Records of Traffic Facilities

Renewal of versatile limited express cars and commuter cars, Kintetsu Railway Co., Ltd.







Commuter car



Limited express car

As part of its project to generally review services provided on limited express cars, Kintetsu Railway Co., Ltd. renewed and renovated versatile limited express cars that can be widely used for middle to long distances.

Kintetsu Railway renovated 22000 Series ACE, its main limited express cars, renewing the exterior coloring of the cars and their interior design. The renovation works have made the cars more comfortable by introducing new well-equipped seats and a smoking room, which helps separate non-smoking and smoking areas more effectively. Our seat covers and Triple Fresh®-finished curtains are employed for the cars.

Kintetsu Railway is also making efforts to renovate commuter train cars, involving major changes in the interior design, to improve the public image of these cars, and the company is launching the renovated cars one by one. Our seat covers, seat cushion material, floor signage films that clearly indicate priority seats are employed for the commuter cars.



[Sales representative's view]

Masataka Tsuruga Osaka Traffic Sales Group Western Japan Traffic Sales Department

We have a long history of partnership with Kintetsu Railway Co., Ltd., and have provided interior materials for many generations of train cars. To match the customer's expectations for us in these renovation works, we united the efforts of the design, architecture and sales departments, as well as partner companies, and eventually won the order.

We adopted material that features a pleasant visual effect of light reflection as the seat covers for the limited express cars, while adopting material with various touches for the commuter cars, aiming to differentiate these seat covers for both types of train cars from conventional ones. We also provided easy-toapply floor signage films with the printed string "Priority Seat" to be applied to the floors near priority seats in commuter train cars.

[Customer's comment]

Mr. Tetsuya Hatano Technical Supervision Division, Planning Department, Railway Headquarters Kintetsu Railway Co., Ltd.

In these renovation works, we aimed to create a lightlooking, quiet design that matches a wide range of purposes of train travel, including tourism and business. Among all the components of the interior design, we most devoted our attention to the development of material for seat covers, which have a major impact on users' impressions. We commissioned Suminoe Textile Co., Ltd. to develop the material based on design sketches, and they successfully realized what we had asked them: the introduction of new material and an unprecedented texture. I believe that we were able to complete the best seat covers we can possibly have. This production development may elevate the required standard for the next production development, but I expect that Suminoe Textile Co., Ltd. will surely achieve the high level of quality we will require next time.

Delivery Track Records of Functional Materials

Air-deodorizing Electric Carpet, Yamazen Corporation



Yamazen Corporation, with a major market share in the electric carpet field in Japan, adopted electric carpets finished with $h \cup \mathcal{T} \cup \mathcal{T}$

The electric carpets include the Popular Type, the New Micro Type with an energy-saving function, and the Fluffy Type using thick non-woven fabrics. Although other companies sell similar types of electric carpets, our carpets have an additional function that only we



[Sales representative's view]

Keitaku Yamagami Tokyo Sales Department, Functional Materials Business Division

We developed the Air-deodorizing Electric Carpet, focusing on using our strong points and adding a function other companies cannot add.

To emphasize the function of deodorizing the room, we needed data verifying the deodorizing function. So it was necessary for us to collaborate with the customer, the factory and the Sales Department, with the cooperation of the Technical Center. I really feel that the cooperation of all those involved have enabled us to launch these products onto the market. Creation of new products through development requires hard effort, but I feel sure that this task has provided valuable experience to me. can add. Your room is filled with various odors, and it is said that people living in Japan are especially sensitive to odors. These products cater for the need for a deodorizing function with our technological prowess.

To verify the deodorizing capacity of the products, we specified the types of odors deemed to exist in actual living rooms, and conducted a test of the products in a simulated environment. We tackled this challenge of product development by fully using our long experience in the deodorization of interior furniture. These products will be launched as this year's winter models. We expect that we will obtain well-deserved recognition.

[Customer's comment]

Mr. Yasuhisa Iribe

President of Merchandise Div., Home Products Div., H.Q. YAMAZEN CORPORATION

Aiming to propose new added value that matches customer needs through electric carpets as a staple heating apparatus, we decided to launch the Air-deodorizing Electric Carpet, finished with the deodorant FUJUDV=2. in cooperation with Suminoe Textile Co., Ltd.

This series includes the Foldable Model, the Energysaving Foldable Model, and the High-energy-saving Fluffy Model with a four-fold thickness, so consumers can select their favorite from these three models according to their needs. We are proposing these electric carpets to a wider range of consumers as new value-added products.

Together with Our Employees (Respect for Diversity, Human Resource Development, and Occupational Health and Safety)

Respect for Diversity

Recruitment of new employees

New employees are hired by each Group company. In April 2016, 31 new graduates joined our Group companies, with the ratio of female graduates standing at 38.1%.

Senior Employees

We have introduced a continuous employment (re-employment) system that ensures continued employment up to 65 years of age for post-retirement employees. Many applicable ex-employees use this system (and we call them "Senior Employees). In the future, the Suminoe Textile Group will continue to develop measures, including reviewing this re- employment system, to develop workplaces where experienced workers and other diverse employees can play more active roles.

*Continued employment up to age 65 was implemented by: Suminoe Textile Co., Ltd., Suminoe Teijin Techno Co., Ltd., SUMINOE Co., Ltd., RUNON Co., Ltd., Suminoe Logistics Co., Ltd., Tango Textile Co., Ltd., Suminoe Works Co., Ltd., Sewing Hyogo Co., Ltd., and Suminoe Techno Co., Ltd.

•Care for children, the elderly and other family members Based on the Act on Advancement of Measures to Support Raising Next-Generation Children, we will henceforth encourage male employees to take childcare leave, and further strengthen the system to support employees in balancing work and care for children, the elderly and other family members.

Da	Data on childcare leave, etc. (FY2015 results)				
	Number of employees who took childcare leave	5			
	Ratio of employees who returned to work				
	Number of employees who reduced working hours				
	Number of employees who advanced/ postponed starting/finishing work	6			
Data on family care leave, etc. (FY2015 results)					
	Number of employees who took family care leave	0			
	Number of employees who reduced working hours				

Human Resource Development (Training System and Training Track Records)

The Suminoe Textile Group companies in Japan jointly implement training programs, not only to improve the knowledge and skills of their employees, but also to develop horizontal relationships beyond the boundaries of companies, thereby enhancing the strength of the entire Group.

Our education curriculum comprises various programs that are categorized into training by level, role training, and selective training.

For example, selective training for skill improvement is provided on various themes that are changed each year.

[Impressions of the Time Management training]

I participated in the training with the expectation of improving my job skills, since one of my challenges was to become able to deal with many daily tasks in a well-planned and efficient manner.

At the training session, we mainly learned about attitudes toward work and effective scheduling.

It is essential to fix an order of priority in our work. However, I was able to reaffirm the importance of how I deal with each individual job, in addition to simply setting the order. Specifically, I was able to consider in what way I should allocate more time to jobs with a higher priority, while allocating less time to jobs with a lower priority.

In the future, through short-and long-term scheduling, I will improve the efficiency of my

The training sessions are attended by voluntarily participating employees, and by employees recommended by their department superiors. This year, three training sessions were held on the two themes, "How to Read the Three Types of Financial Statements" and "Time Management" (for managers and rank-and-file employees). Moreover, as part of our efforts to respond to globalization. we encourage employees to take TOEIC tests and language training programs. This year we started to organize seminars on the "English Conversation Leaning Method" and "Basic English Email Course."

everyday duties. By capitalizing on what I have learned in this training, I will create an effective road map toward achieving an ambitious goal.



Eiji Yamaguchi (Joined the Company in 2014) Osaka First Sales Department, Functional Materials Business Division. Suminoe Textile Co., Ltd.

Occupational Health and Safety (Safety Activities)

of "1.0 or lower." From among past occupational accident cases, the Central Health and Safety Subcommittee picked up risk In light of this result, we will continue our group-wide efforts to create even safer workplaces by improving examples that were common to respective offices/factories of the Suminoe Textile Group, to health and safety education. check the actual situation in which they occurred and Change in the incident rate* of Suminoe Group companies in Japan to ensure that the rules for responding to occupational All Group companies in Japan (Lost-worktime injuries) accidents are complied with at each office/factory.

In education, we confirmed that offices/factories with a staff of ten or above but less than 50 have already designated a person in charge of promoting occupational health and safety, or a person in charge of occupational health. Although small offices/factories are not obliged to set up a Health and Safety Committee, we selected some offices/factories as model facilities to conduct safety patrols, as a way of promoting health and safety education.

In addition, the Health and Safety Committee of each factory/office has played a central role in promoting occupational accident prevention activities, by taking measures to prevent any recurrence of occupational accidents, conducting safety patrols and sharing "Hiyari-Hatto," or near-miss reports. Through these efforts, the number of occupational accidents for the entire group was reduced, though we failed to achieve the FY2015 target, i.e., a rate of lost-worktime injuries

Occupational Health and Safety (Management of Working Hours)

The First Personnel Subcommittee, established under the CSR Promotion Committee, regularly reviews current employees' working hours.

The results of the questionnaire survey of employees' opinions about workplace comfort revealed that some employees have problems related to working hours. Taking into account these opinions, the subcommittee has devised and introduced specific measures to reduce these hours. We are aware that working hours for employees vary greatly according to their company, department and section, and that the persons in charge of personnel and

Occupational Health and Safety (Prevention of Harassment)

The Suminoe Textile Group carries out activities to prevent harassment, to facilitate the creation of a comfortable working environment.

In Japan, we held an anti-harassment training program at four offices/factories with 292 participants in fiscal 2015, and at seven offices/factories with 493 participants in fiscal 2016. Consequently, a total of 785 employees, representing 52% of all employees in Japan, participated in these programs.

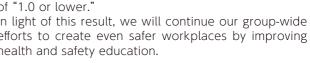
According to the survey conducted after these programs,





Training for rank-and-file employees at Head Office

Training for rank-and-file employees at SUMINOE Co., Ltd.





Source: 2015 Workplace Accident Trend Survey, Ministry of Health, Labor and Welfare Taken from general results [of the business establishment survey (with 100 or more people) and the general construction industry survey] *Incident rate: Accident frequency, measured as the number of deaths and injuries caused by industrial accidents per million working hours

labor affairs should make more time to deal with this issue. As part of these activities, we have organized labor law seminars for managers since fiscal 2014, with the primary focus on working hour-related issues, thereby helping to raise their awareness of laws and regulations. In fiscal 2015, a total of eight seminars were held at six offices/factories.

Improvements in operational efficiency are indispensable for ensuring proper working hours. From this viewpoint, members of the Second Personnel Subcommittee hold discussions, particularly relating to system-related matters.

participants made comments such as "I will create a working environment where everyone can work comfortably regardless of their position, by communicating with each other and giving consideration to what others feel," "The program content was easy-to-understand, since the lecturer gave explanations using actual examples," and "I felt it difficult to draw the line between providing guidance and power harassment." Going forward, we will continue awareness-raising activities.



Training for managers at Shiga Factory of Suminoe Techno Co., Ltd.

Together with Our Suppliers/ Risk Management

/e have established the Suminoe Textile Group Code of Corporate Behavior to be followed in conducting business ctivities. The Code of Corporate Behavior stipulates that Group companies should work to maintain and promote fair and ee competition and abide by the law that prohibits acts requiring unfair trading of suppliers in purchasing activities. We lso pursue management focusing on r isk management. In fiscal year 2015, we carried out risk assessment at ffices/factories in Japan, and activities related to risks and intellectual property rights at overseas subsidiaries.

Together with Our Suppliers

Fair Trade (Activities Relating to Compliance with the Subcontract Act)

The Group has selected "Compliance with Laws and Regulations related to Business Transactions" as its main theme in promoting compliance. This is because we believe it important to forge relationships of trust with our suppliers, and this forms the basis for our efforts to meet the needs of a diversifying customer base and society. We continue to take various measures, including proper management of subcontracting transactions.

In fiscal 2015, the Internal Auditing Department conducted audits focused on subcontracting transactions at a total of ten departments in eight offices/factories, to monitor the changing actual situations. The issues pointed out through these audits are shared by each department and with the CSR Promotion Department to utilize for subsequent improvement and guidance activities.

As educational and awareness-raising measures, we held in-house seminars on the themes "Complying with the Subcontract Act" and "Creating Written Contracts." Various ideas were incorporated in designing these seminars, which, for example, used reference materials based on actual business operations. In fiscal 2015, a total of 12 seminars were organized in ten offices/factories. We are planning to implement these seminars also in fiscal 2016.

We will continue constant efforts, including the above measures, to optimize various transaction practices, by means that include disseminating the relevant laws and regulations. Through these endeavors, we aim to further reinforce our relationships with our suppliers.

Risk Management

Intellectual Property Management Efforts

We are working to protect our intellectual property rights, to ensure the competitiveness of our products and technologies. Intellectual property rights (trademarks, designs, patents, utility models, etc.) are fundamentally related to the actual settings in which sales, development and manufacturing function. We therefore work on activities to improve employees' awareness and understanding of intellectual property rights.

To be more specific, in fiscal 2015 we published a total of six issues of the Intellectual Property News on the in-house intranet. These issues carried articles concerning the revision of the Patent Law, TPP-related intellectual property matters, as well as the identification of inventions. Additionally, relevant patent information and the basics of intellectual property rights were introduced to participants at various meetings.

Going forward, we will continue education and awareness-raising activities, to enhance our competitive advantage in our core business field and in our areas of strength. At the same time, we will push forward with activities to pursue patents, from their application to acquisition, with a view to achieving further growth and development in our strong business areas and expanding into new fields through the PDCA (Plan, Do, Check, Act) approach. In so doing, we will work to protect and help develop our business.

Progress in Preparation of Business Continuity Plans (BCPs*1)

The Suminoe Textile Group's business continuity plans (BCPs) aims to speedily and accurately collect information necessary to continue business operations even in the event of a disaster, placing emphasis on disseminating relevant information to customers.

Based on the points for reconsideration identified through the disaster drills held last year, this year again we carried out an emergency drill on the occasion of the Osaka 8.8 Million Drill. With its emergency warning as a cue, 153 employees working in the Head Office building took cover under their desks, and confirmed their personal safety using mobile phones.

The results of this year's drill revealed that there was a limitation to orally communicating safety information. By

finding solutions to this problem in the future, we are planning to establish safety confirmation rules that will serve as the foundation for BCP, and to apply these rules group-wide.



during the safety conformation drill based on the BCP

*1 BCP: Stands for Business Continuity Plan, a plan which is developed to ensure that a company can continue and/or restore business operations, during a time of emergency due to a disaster, accident, etc.

Risk Management at Offices/Factories in Japan

Risk management at offices/factories in Japan has been in place based on the deliberations of the Risk Management Subcommittee, focusing on information security and other issues as risk factors that have already been identified.

In fiscal 2015, we started risk assessment at domestic

Risk Management at Overseas Subsidiaries

To minimize risks, which are becoming increasingly globalized and diversified with the expansion of our automotive textile business, the Suminoe Textile Group works to better understand how overseas subsidiaries conduct risk management (hereinafter referred to as "RM").

This section introduces the activities of two over- seas subsidiaries—SPM Automotive Textile Co., Ltd. in Guangzhou, China, and T. C. H. Suminoe Co., Ltd. (TCHS) in Thailand, both of which have introduced RM systems.

SPM (China): In its third year since establishing an RM development method as a model case.

SPM pursued the theme "Responding to a fire emergency" as the first year's theme and "Preventing the loss of employees" as the second year's theme. As a result, the company reduced the risk value by more than 60%. This year, SPM is addressing a great theme: "Cost reductions (to achieve an operating income margin of 5%)."

The company has organized eight groups, each of which is vigorously working and producing positive results, by identifying, evaluating and selecting items to be

Group activities for cost reductions at SPM (China)

Once a month, each of the eight groups proposes and consults on improvement plans to achieve cost reductions. Their specific activities are reported below.



 $\textcircled{\sc l} Reducing material costs for$ outsourced production After re-measuring the length of a product accurately, this group was able to find a difference that needed to be corrected.



expenses This group reviewed the shift work arrangements to reduce overtime, aiming at improving operational efficiency and re- ducing personnel expenses



This group reviewed the operation standards aiming at reducing the consumption of backing materials. Consequently, now SPM can use these materials without waste



6 Reducing expenses for physical distribution, guide cloth, and processing flaws in fabric C During the production process, some flaws can develop in fabric C. This group succeeded in making effective use of the portions of flawed fabric that are still usable. offices/factories as a whole, and discussions were held by the CSR Promotion Committee. Since domestic offices/factories are engaged in diverse business operations, it is difficult to reach a consensus of opinion. However, we will continue with these discussions to establish our risk management system.

improved following the RM method, in coordination with QC circle activities.

TCHS (Thailand): In its second year since introducing the RM development method established by SPM (China).

TCHS selected "Reducing by half the carpet manufacturing equipment downtime" as its theme. After identifying problems to be addressed using the loss prevention checklist, TCHS has continued to discuss, implement and follow up measures to deal with these problems for two years. As a result, TCHS is finally beginning to see some positive results, and remains committed to pursuing the theme.

Meanwhile, we held seminars at STM (Mexico) and SST (Indonesia) to help introduce RM. In the future, while paying attention to activities at these overseas subsidiaries that have introduced the RM system, we will continue to apply the RM system development method to other overseas factories. We will also share globally information on risks identified in overseas factories and their countermeasures. In so doing, we are working to establish risk management systems across the entire Suminoe Textile Group.



③Reducing heating and lighting expenses This group is working to reduce its heating and lighting expenses, by repeatedly processing similarly-colored products to decrease the number of imes the dveing machines need cleaning



⑦Reducing production expenses After inspecting the equipment and instrument on the manufacturing floor, this group removed items that were unnecessary.



④Reducing physical property testing cost In cooperation with relevant departments and outsourced companies, this group worked to reduce the testing cost.



®Reducing administrative expenses

This group worked to reduce selling and administrative expenses by making it possible to control the number of prototypes through cooperation be-tween the departments and sections concerned.

Under the Slogan of

We, the Suminoe Textile Group, are continuing to work on environmental conservation activities such as interior environment improvement and utilization of recyclable materials as well as decreasing our impact on the environment with our fundamental philosophy of "K- Kenko (Health)", "K- Kankyo (Environment)", "R- Recycle" and "A- Amenity: Comfort".

Amenity

Kenko Kankyo (Health) (Environment) Recycle

Fundamental Environmental Philosophy

Recently deterioration of global environment has rapidly progressing.

It is a mission in common among human beings who live on earth to make efforts to preserve and improve global environment and hand the beautiful earth to our descendants. Suminoe Textile Co., Ltd. well recognized this fact, will make a comfortable and rich society with a cooperation of all the employees positively tackling with environmental preservation activities.

Suminoe Textile Group "SUMINOE Environmental Declaration"

In 2009, the Suminoe Textile Group reviewed its Environmental Declaration, originally released in 1998, and created a revised declaration comprising seven specific declarations on which we are basing our environmental actions.

We shall contribute to the improvement of interior environments and realize comfortable spaces.

Our TRIPLE FRESH deodorant treatment is applied to carpets, curtains, wallpaper and automobile interior fabrics to deodorize unpleasant smells, such as cigarettes, pets, household odors, and Formaldehyde, which is believed to be behind sick building syndrome, by absorbing and dissolving the elements causing bad smells. Other efforts being made by us to create a comfortable and care-free living space include an anti-allergen treatment called ALLER-BLOCK, aimed at suppressing allergen activity, and a skin-care beauty treatment.

We shall respond to the recycling society and positively adopt recycled materials.

We are actively using recycled materials as part of our efforts to promote environmental conservation and the efficient use of natural resources. Specific products launched by us for that purpose include SUMITRON polyester yarn, which is made from recycled PET bottles, a recycling system for carpet tiles in which used tiles are recollected and recycled into new products, the SUMICUBE seat cushion material for railway cars, and the SE Light N simplified raised floor material, made from PP resin, recycled from beer cases.



We shall provide products that enable the reduction of CO₂ and decrease our impact on the environment.

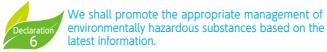
To play a part in curbing global warming and building a low-carbon society, we will develop and provide low-carbon products based on the Life Cycle Assessment (LCA) method. LCA is intended to comprehensively and guantitatively evaluate the impact of manufacturing activities on the environment while taking into consideration the entire cycle of products materials, manufacturing, transportation, use, and disposal.

We shall use safe/secure materials and always consider health and the environment.

We will provide products that have passed safety rules and regulations, while refraining from supplying products that contain volatile organic compounds (VOC), believed to cause sick building syndrome, or heavy metals, which require special attention in disposal. Instead, we will actively use natural fabric materials such as wool, hemp, and cotton. In addition, we will make consumer-friendly products, such as flooring mats using Olefin film, which is known to emit a minimal amount of toxic gas during burning.

We shall work on resource and energy conservation from manufacturing to the finished product.

We will promote the effective use of resources by reducing losses of primary materials, auxiliary materials, water and energy occurring in production. We will also strive to increase the efficiency of transportation, resources utilization, and waste disposal by constantly updating energy-saving facilities, improving product quality, reducing the weight of products, and simplifying packaging. By taking these measures, we will ensure the saving of resources and energy conservation.



Tougher controls have been in place both in Japan and abroad on the use in products of specified chemical substances. In response to such moves, we will assess all our products and check whether such substances have been used, while establishing a system to adequately control the materials used in our products, based on the Supply Chain Management (SCM) concept. Furthermore, we will keep ourselves abreast of the latest information on product safety.



Our environmental consideration in manufacturing will be given not only to external product appearance and functions but also to other factors, such as minimizing resources and energy consumption in the process of production, making product recycling easier, manufacturing longer-life products and optimizing waste disposal. We will propose and deliver products based on such an "eco-design concept."

Guideline on Activity

In carrying out environmental conservation activities

- 1 We will positively promote energy-saving, resource-saving, recycling with a consideration not to contaminate environment in all of our business activities.
- 2 We will try to preserve environment through products' life cycle from production, sales to disposal by developing environment-friendly technology and products. ① Development of technology for energy-saving and resource-saving 2 Development of recycling technology and recycling system

- ④ Development of product which could improve environment and contribute to health and comfort.
- 3 We will try to live together with community through close communication and all employees will start action from whatever one can do.
- 4 We will try to maintain internal system to promote environmental protection and enhance environmental consciousness of all employees.

Environmental Protection Promotion System

The Environmental Promotion Subcommittee was set up within the CSR Promotion Committee. Measures drawn up and finalized by the subcommittee are implemented in all divisions and departments throughout the Group.



Introduction of environmental management system

The Nara Factory obtained ISO14001 certification in fiscal 2000, making it the first among the Group to be awarded certification on environmental management. To date, five factories have obtained ISO14001: 2004 certification, and one factory Eco Action 21 certification.

		Eco Action 21:2009		
	Nara Factory, Shiga Factory	Teijin Tecloth Ltd.	Owari Seisen Co.: Head Office Factory, Ishikawa Factory	Tango Textile Co.
Screening and registration agency	Japanese Standards Association	Japan Quality Assurance Organization	Japan Quality Assurance Organization	Institute for Promoting Sustainable Societies
Registration JSAE 235		JQA-EM1519	JQA-EM3114	0009522
Registration date	May 2000	April 2001	March 2003	July 2013
Registration renewal	5th renewal completed (May 2015)	5th renewal completed (April 2016)	4th renewal completed (September 2014)	1st renewal completed (July 2015)

③ Development of products and technology to replace materials which would put less load on environment and have more safety.

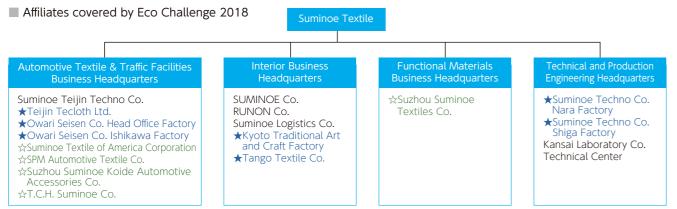
Fourth Medium-Term Activity Goals—Eco Challenge 2018—

Environmental commitment

Business activities undertaken by the Suminoe Textile Group are deeply connected to the environment. This holds true to our daily operations, as well as to the entire lifecycle of our products—from product development and design, material procurement, production, sales, distribution, consumption, disposal and recycling. The Suminoe Textile Group is working on assessing and reducing the impact on the environment from our business activities as a whole and our products throughout their lifecycle. We are committed to manufacturing environmentally friendly products. One example is active use of recycled materials, including polyvinyl chloride powder recycled from used carpet tiles, and raw cotton and polyester pellets recycled from PET bottles. In conducting CSR activities, we also focus on environmental conservation, and Group-wide efforts are underway to achieve the goals set under Eco Challenge 2018.

Eco Challenge 2018 (Fourth Medium-Term Activity Goals)

We have formulated Eco Challenge 2018 (Fourth Mid-Term Activity Goals), as a set of goals on environmental protection. Its duration is three years from fiscal 2015 to 2017, during which we promote environmental activities, in synchronization with our medium-term management plan, "Advance Ahead 2018."



★Domestic factories: Subject to meeting numerical targets on the use of recycled materials, the amount of industrial waste generated (the recycling rate and the rate of industrial waste disposed of at final disposal sites) and the amount of PRTR-designated substances handled ☆Overseas factories: Subject to meeting numerical targets only regarding energy consumption and water consumption

Period: Fiscal 2015-2017 (three-year plan; data collection lasting between June 2015 and May 2018)

Activity Goals and Fiscal 2015 Results

○:Attained △:Not attained at some factories ×:Not attained

No	Work areas		Final numerical targets	Base FY	Numerical targets for FY2015	FY2015 results	Evalu- ation	
1	Prevention of	Reduction of energy consumption	3% reduction(Basic unit)	2014	-1%	-8.1%	0	
I	global warming	Reduction of fuel consumed by company-owned vehicles	3% reduction(Basic unit)	2014	-1%	-12.1%	0	
2	Resources	Reduction of water consumption	3% reduction(Basic unit)	2014	-1%	-2.0%	0	
2	conservation	Increased utilization rate of recycled material	3% improvement	2014	1%	1.9%	0	
		Reduction of industrial waste	3% reduction(Basic unit)	2014	-1%	-3.4%	0	
3	3Rs regarding waste material	Increase of recycled material utilization rate	65% or more	-	65% or more	65.5%	0	
		Reduction of waste disposal rate via land reclamation	10% or less	_	10% or less	11.4%		
	Prevention of	Reduction of air pollution (reduction of NOx emissions)	3% reduction(Basic unit)	2014	-1%	-9.4%	0	
4	environmental pollution	Reduction of emissions reported under PRTR system	3% reduction(Basic unit)	2014	-1%	-2.0%	0	
5	Promotion of	Improvement of green stationery purchase rate	95% or more	-	95% or more	91.3%		
э	green activities	Reduction of paper consumed by photocopying	3% reduction(Total amount)	2014	-1%	-6.2%	0	
6	5 Promotion of LCA assessment for products		18 items under LCA assessment	-	6 items	50 items	0	
_	Promotion of development of environment-friendly technologies		3 cases	-	1 case	1 case	0	
7	Promotion of development of environment-friendly products		9 cases	-	3 cases	3 cases	0	
8	8 Promotion of biodiversity preservation in business activities		-	-	-	-	_	
9	9 Compilation of date on environmental impact of overseas factories and reduction of such impact		Compilation of data for all overseas factories	2014	Plus 2 companies	0 companies	×	

Basic unit : Consolidated sales used as a denominator for calculation

■ Conversion coefficient : The amount of CO₂ emissions is calculated based on a conversion coefficient set in accordance with the law to promote measures against global warming. The amount of NOx emissions is calculated based on a conversion coefficient used in the 2002 edition of Eco Action 21. The amount of CO₂ emissions at overseas factories is calculated based on a conversion coefficient set for each country in the 2007 GHG protocol.

Eco Challenge 2018 (Fiscal 2015 Results)

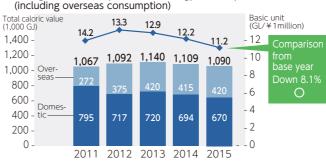
The Suminoe Textile Group continues working to reduce its environmental impact, and these efforts over many years have produced steady results. In fiscal 2015, which marked the inaugural year of Eco Challenge 2018, we achieved our goals for almost all items by fiscal 2014 standards, so that we have been able to remain on a solid upturn since 2011.

Prevention of Global warming

Reduction of Energy Consumption

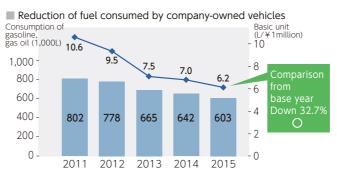
We assess the results of our energy-saving activities, based on the calorie equivalent of our energy consumption*. In fiscal 2015, our energy consumption was reduced in terms of both the total calorific value and the basic unit. Energy consumption at overseas factories increased, accounting for 38.6 percent of the total energy consumed by the Group. *Unit of calorie equivalent of energy consumption: GJ (gigajoule)





Reduction of Fuel Consumed by Company-Owned Vehicles

We are striving to reduce fuel consumption by company-owned cars by promoting eco driving. We have also adopted a policy of switching to fuel-efficient vehicles.

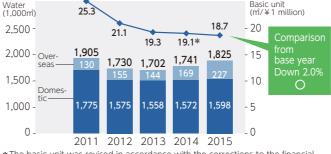


Resources conservation

Reduction of water consumption

We are promoting the cyclical use of cooling water. Although the total water consumption increased, due to the brisk dyeing process business in Japan and an increase in water use in overseas factories, we reduced our water consumption in terms of the basic unit.





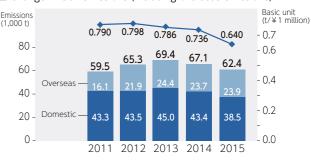
*The basic unit was revised in accordance with the corrections to the financial results for past fiscal years.

41 Suminoe Textile Group CSR Report 2016

[Reference data] Reduction of CO₂ Emissions

We assess the impact of our corporate activities on global warming, based on CO_2 emissions.

Both the total amount of CO $_2$ emissions and the CO $_2$ emissions per basic unit decreased compared to the previous year.



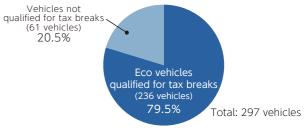
Change in CO₂ emissions (including overseas emissions)

[Reference data] Rate of company-owned eco vehicles

As part of our energy-saving activities, we actively introduce hybrid cars and low-emission vehicles.

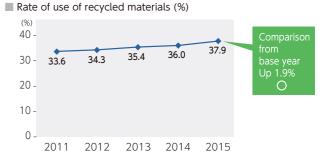
In fiscal 2015, the number of these eco vehicles increased to account for 79.5% of all company-owned cars.

Ratio of eco vehicles in all company-owned vehicles (FY2015)



Increased Utilization Rate of Recycled Material

We are actively using recycled materials for product manufacturing to make savings in resources.



Eco Challenge 2018 (Fiscal 2015 Results)

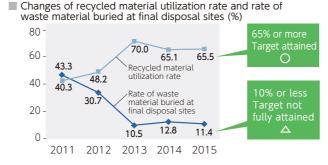
3Rs regarding Waste Material

Reducing industrial waste, increasing the recycling rate, and reducing the waste disposal rate via land reclamation

We are promoting the effective use of resources and making efforts to reduce industrial waste by minimizing materials that are never used as a part of our products and by not manufacturing products that do not pass quality standards. We have also developed-either on our own or jointly with other companies-a technology and a system to recycle waste material so that the amount of such material sent to reclaimed land sites for final disposal will be reduced. Thanks to such recycling efforts, so-called "zero emissions"* have been attained at Tango Textile Co., Ltd. and the Ishikawa Factory of Owari Seisen Co., Ltd.

*Zero emissions : A concept proposed by the United Nations University in 1994 with a view to reducing waste from the whole of society to zero, by using the waste from one industry as a raw material in another. "Zero emissions" are defined by our Company as the rate of waste material sent to final disposal sites being below 2 percent of the total waste material generated. The rate of waste material buried at final disposal sites = the amount of waste material dumped on reclaimed land for final disposal ÷ the amount of total industrial waste generated

Change in industrial waste generated Amount of Basic unit (kg/¥1 million) industri 55.6 generated (t) 47.8 - 50 5.000 -36.5* 35.2 39.1 40 4,000 3,000 - 30 ase yea 2.000 4.187 3.916 3.453 3.324 3.434 - 20 - 10 1,000 -0 0 -- 0 2011 2012 2013 2014 2015

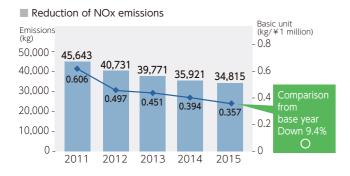


*The basic unit was revised in accordance with the corrections to the financial results for past fiscal years.

Prevention of Environmental Pollution

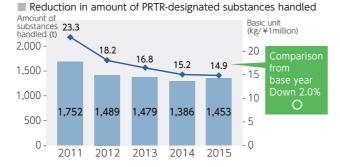
Reduction of air pollution (NOx emissions)

Substances that may become air pollutants include NOx, SOx, and other fine particles. NOx is used here as an example to explain the situation of air pollution. The amount of NOx emissions is calculated based on the emission coefficient used in the 2002 edition of Eco Action 21 for facilities where no emission-cutting measures were taken.



Reduction in the Amount of PRTR-Designated Substances Handled

Atmospheric emissions of deca-brominated diphenvl ether (DBDE), used as a fire retardant, and perfluorooctanoic acid (PFOA), used as a fluorosurfactant, are being replaced by safer alternatives, as their use is likely to be banned in the future.



Promotion of Green Activities

Improvement of Green Stationery Procurement Rate

We are actively promoting purchases of environmentally friendly office equipment and supplies to reduce their impact on the environment across the entire life cycle of such products, from collection of materials to disposal. However, since the scope of green product purchasing was expanded to sales companies and logistics departments, the percentage of targets achieved has dropped. To reverse this trend, we will step up efforts to achieve the target rate, 95% or more.

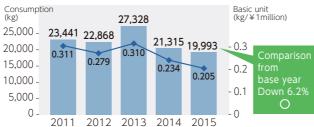
Change of rate of buying eco-friendly office equipment (%)



Reduction of Paper Consumed by Photocopying

We are making efforts to reduce the use of photocopy paper by promoting the use of the in-house intranet and printing on the reverse side of used paper. In fiscal 2015, both the total amount and the basic unit of photocopy paper consumption decreased as in the previous year, showing a trend toward a steady reduction.

Change of consumption of photocopy paper



Promotion of LCA Assessment for Products

Promotion of LCA* Assessment for Products (6 Items Targeted)

We have established a system to conduct in-house LCA assessments for products, with a total of 18 items set as assessment targets for the three years from fiscal 2015 to 2017. We carried out LCA assessments for 50 items under five marks of the "closed-loop recycling" ECOS® series of carpet tiles in fiscal 2015, exceeding the target of six items for that year.

*LCA : Stands for lifecycle assessment. LCA is a method to quantitatively evaluate the resources used to produce a product at each stage of its lifecycle-from raw material procurement, manufacturing, distribution and use to disposal—as well as its load on the environment, and also the potential environmental impact that the product and resources may have on the Earth and ecosystems

Promotion of Development of Environment-Friendly Technologies / Promotion of Development of Environment-Friendly Products

Promotion of Development of Environment-Friendly Technologies (One Goal Set)

 Technology for compounding and processing a deodorant for sweat, body odor in old people and fecal smell We developed a deodorant technology for removing the smell of sweat, body odor in old people and the smell of excreta, by focusing on anti- sulfur gas deodorizing performance, as the fourth generation of トリプルフレッシュ® (TRIPLE FRESH), which is a deodorant treatment technology that uses no light or electricity but is friendly to the environment.

The new technology is expected to find applications in actual settings in nursing and medical care. We have decided to employ this deodorant technology in the curtain series for welfare facilities. In medicine, this deodorant technology has been used to produce a deodorant bandage. Another commercialized product using this technology is スカッと消臭® (Sukatto Deodorant) sheet released under the Tispa® Series, our proprietary deodorant brand.



Environmental Activities for Preserving Biodiversity in Business Operations

Factories run by the Suminoe Textile Group have been undertaking various unique activities since fiscal 2013 in order to protect biodiversity based on the environmental protection guidelines the Group adopted in fiscal 2011.

Activity Policy

- Reduction of impact on biodiversity
 - from business activities
 - Monitoring the situation on biodiversity around factories and their vicinity
 - · Using locally-grown native species, not nonnative species, for tree planting

 - Periodically cleaning areas near factories and improving environmental conditions there by weeding out grass
 Checking sustainability when biological resources are used as product material
 - · Promoting development of products with recycled material
 - and building a recycling system to manufacture such products Incorporating activities for biodiversity preservation into an
 - environmental management system
 - Promoting new measures that are possible at each factory for preservation of biodiversity

2 Activities to seek suppliers' cooperation in reducing impact on biodiversity across the entire supply chain

 Seeking cooperation from suppliers in observing green purchase guidelines, to promote our efforts to preserve biodiversity

- 3 Social contribution activities
 - Supporting groups engaging in forestry preservation activities
 - Supporting green charity activities



ECOS® SCENERY SOUND series

Promotion of the Development of Environment-Friendly Products (3 Goals Set)

- **1** Development of GRACE CORD_®, an eco-friendly narrow woven fabric for decoration, used for automotive seats
- 2 Development of PH Films, sign/warning films used on the floors of train cars, which feature a thin lamination and high durability
- 3 Development of 空気を洗う壁紙®珪藻土プラス (a deodorant wallpaper diatomite plus), a product using diatomaceous earth that has a temperature adjustment function as its base material, to which the deodorant function of トリプルフレッシュ®プラス (TRIPLE FRESH Plus) is added.



空気を洗う壁紙®珪藻十プラス (a deodorant wallpaper diatomite plus)

Activity Results

[Nara Factory of Suminoe Textile Co., Ltd.] As a member of the Ando Ouyu-Kai (Ando Association for Growing Cherry Trees along the Okazaki River), the factory has taken part in activities to develop a promenade in the area along the Okazaki River (Ando Town, Nara Prefecture) flowing south of the factory, by improving a cherry tree-lined road. In the area, events are held to enjoy viewing cherry trees protected and grown through these activities, offering a place of relaxation for local residents.

[Shiga Factory of Suminoe Techno Co., Ltd.] The factory has been working on propagating the "Sasayuri" lily, the flower of the local city of Koka. The population of the Sasayuri lily, which symbolizes the harmonious coexistence of people and nature, has been on the decline every year. However, activities are underway to bring many flowers into bloom within the premise of the factory. In June 2016 again, factory's employees were pleased to see beautiful Sasayuri lilies from the bulbs they had grown for several years from locally-procured seeds.

[Factory at the head office of Owari Seisen Co., Ltd.] The factory has been supporting the project which is working to revive fireflies on the Kiso River and in other wetland areas, as a member of the Ichinomiya Heisei Firefly Association.





Social Contribution Activities

Support for the Areas Hit by the Kumamoto Earthquake

Our Company belongs to the Nippon Interior Fabrics Association Japan and the Japan Carpet Industry Association. Member companies of these two associations jointly donated 19,200 carpet tiles (approximately 4.800m) and about 1,500 carpets for 2and 3-tatami mat rooms to the people affected by the Kumamoto Earthquake. We sincerely hope that the disaster-hit areas will recover at the earliest possible date.

Local Cleanup Activities

Each factory/office actively participated in cleanup activities, with the purpose of beautifying the surrounding area. We will continue to take part in these activities as members of the local community, while remaining well aware of environmental protection as an enterprise that deals with environment-conscious technologies and products.



Nara Factory of Suminoe Textile

19 employees participated in a cleanup of the area surrounding the factory May 2016



Feijin Tecloth Ltd. 40 employees participated in the Inazawa "Gomi Zero" Campaign (Inazawa Garbage Reduction Campaign May 2016



Suminoe Textile of America Corporation (United States) 15 employees participated in a litter-cleanup along public roadways April 2016

Cooperation for Workplace Experience Programs, Internship Programs and School Events

As in the past, in fiscal 2015 year the Suminoe Textile Group accepted students from nearby schools for workplace experience and internship programs. These students were given opportunities to learn about the products manufactured by the Group through experiments on quality control of carpets and creating samples, while considering the skills required to carry out the work and the role of work. Also, the Nara Factory of Suminoe Textile Co., Ltd. cosponsors local events, and Suminoe Textile of America Corporation (STA) in the United States continues to participate in a charity golf tournament.



Nara Factory of Suminoe Textile Co., Ltd. Pupils of Ando Elementary School accepted for a factory tour October 2015



Shiga Factory of Suminoe Techno Co., Itd. Students from Koka Junior High School accepted for a workplace experience program Five days in October 2015



Tango Textile Co.. Ltd. Students from Mineyama High School accepted for an internship program. ive days in July 2016



Corporation (United States) charity golf tournament. May 2016

Supporting the Pink Ribbon Campaign

RUNON Co., Ltd. supports the Pink Ribbon Campaign* promoted by J.POSH, an incorporated non-profit organization which seeks to remove suffering from breast cancer. In addition to making monetary donations to the Pink Ribbon Fund, the company raises awareness of the campaign by encouraging employees to use business cards bearing the J.POSH logo, and sales representatives to wear the logo badge when they go out. *Pink Ribbon Campaign: This campaign was initiated by a family, one of whose members died of breast cancer, in the hope that such a sad incident would not be repeated. Its objective is to promote an accurate understanding of breast cancer and raise awareness of its early detection and treatment. This campaign, which began in the 1980s in the United States, has now expanded to involve various



Corporate Summary

- Name of Company
- Head Office Founded
- Incorporated
- Organizational Change
- Capital (As of May 31, 2016)
- Number of Employees
- (As of May 31, 2016)
- Lines of Business
- 1883 December 25, 1913 (Suminoe Textile Joint-Stock Company) December 26, 1930 (Suminoe Textile Co., Ltd.) 9.554.000.000 ven

Suminoe Textile Co., Ltd.

- 239 employees (Consolidated group companies: 2,786 employees)

[Automotive textiles and traffic facilities business] Interior materials for automobiles, buses, trains, aircraft, etc.

[Functional materials business]

Taisho Era (1912-1926)

- When Interior Textiles was in its Infancy -

In 1913, Suminoe Textile Joint-Stock Company was established.

The Company imported power looms to meet increasing orders from Japan National Railways, its largest customer, making the first step toward modernizing its factory.

In 1915, the Company delivered seat coverings to the Imperial Theatre. Our products have also continued to adorn the Takarazuka Grand Theater, a place where cultural and artistic performances are staged, for more than 90 years up to the present day.



Editorial Postscript

This is the third publication of our CSR Report. In the process of publishing this report, inappropriate

accounting occurred at our US subsidiary, Suminoe Textile of America Corporation (STA). This significant problem compelled us to review our past initiatives to promote governance and compliance, which are major CSR themes, and realize that these efforts were still insufficient. We must take serious measures to prevent any recurrence.

On the other hand, this report includes "Feature? Suminoe Textile Group's Unique Features from the Viewpoint of Employees," which introduces our strengths handed down from the past, the social roles that the Suminoe Textile Group has played so far, and the hand-weaving techniques that form the roots of the





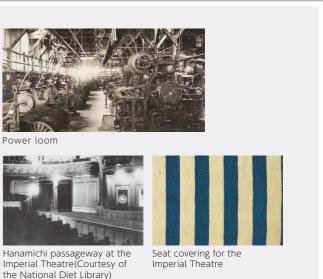
countries around the world.

Suminoe Textile of America 40 members participated in a

11-20, Minami-Semba 3-Chome, Chuo-ku, Osaka 542-8504 Japan

[Interior decor business] Carpets, curtains, wallpaper, flooring materials, etc.

Electric carpets, deodorization-related products, silicon wafers for solar cells



Group. Current employees have been working for Suminoe Textile Group for just several decades, only a small part of the Company's history of more than 130 years, and that history will continue into the future. Going forward, we are determined to make progress to enrich people's lives, while improving what we need to improve and maintain the strengths we have inherited from the past. We will be happy if this report conveys our sincere attitude to the progress of the Group.

In closing, we would like express our deep apology for the great inconvenience and anxiety we have caused all those concerned. We look forward to receiving candid opinions and comments from readers of this report toward further advancement of our Group's CSR activities. Secretariat: Naoko Fukuda,

CSR Promotion Department

Meeting to compile articles for this CSR Report