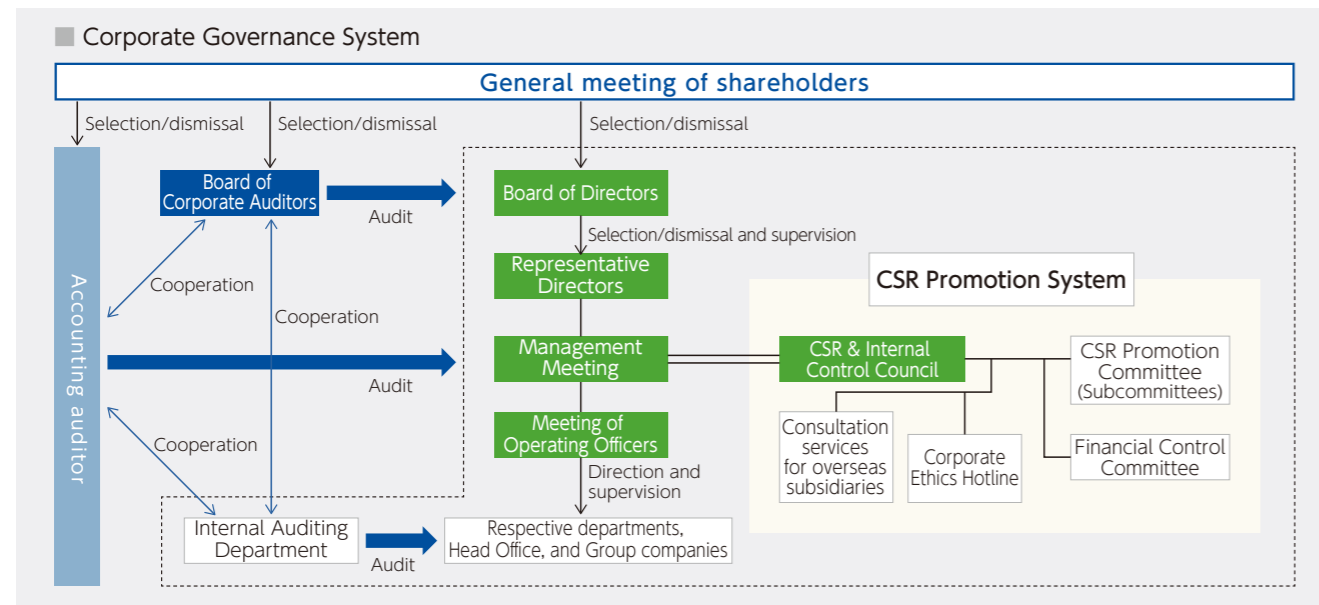


Corporate Governance and CSR Promotion System

Corporate Governance*1

Suminoe Textile has established a corporate governance system as outlined below. To secure the soundness and efficiency of management, we have been appointing outside directors and strengthening the function of the corporate auditor system. The Board of Directors functions as a body for making management decisions in a speedy and agile manner, and for overseeing the status of business execution. The Company has also introduced an operating officer system, under which operating officers are held responsible for business execution. This business execution system, along with the system for management monitoring by corporate auditors and outside directors, enables us to ensure the effectiveness of governance.

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



Board of Directors

The Board of Directors comprises eight directors (including three 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

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.



(From the left in the back row)
 Outside Corporate Auditor Yasufumi Yamashita
 Outside Corporate Auditor Masashi Hashimoto
 Corporate Auditor Kunihiko Kotaki
 Director Katsuyuki Sawai
 Director Tepppei Nagata
 Outside Director Kohei Nomura
 (From the left in the front row)
 Outside Director Takashi Yokota
 Representative Senior Managing Director Hitoshi Iida
 Chairman and President Ichizo Yoshikawa
 Representative Senior Managing Director Yoshiaki Tanihara
 Outside Director Haruo Shimizu

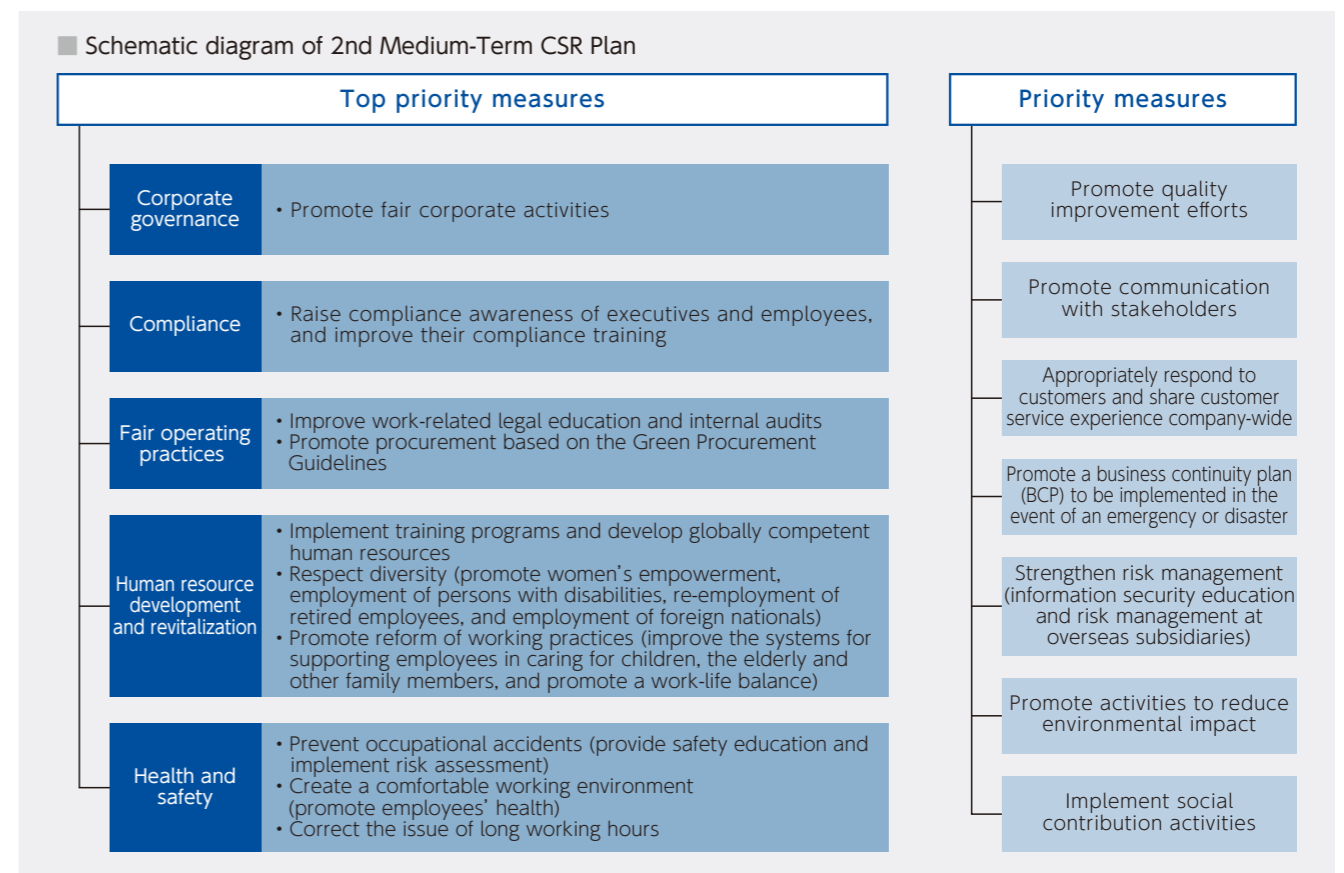
CSR Promotion System

The CSR Promotion Committee is an organ that plays a central role in promoting CSR initiatives. The Committee holds its meetings four times a year at the Head Office of Suminoe Textile Co., Ltd. At these meetings, the Committee members make decisions on the policy for CSR-related activities, deliberate on each subcommittee's activity plans, and confirm their progress. They are also engaged in discussions on the medium to long-term recurrence prevention plan and check its progress. In so doing, the Committee will continue to work to enhance governance and compliance. Individual subcommittees conduct a series of lively discussions, in order to identify the CSR issues to be addressed and implement specific measures to tackle these issues.



Medium-Term CSR Plan

As mentioned earlier, we formulated the Medium-Term Management Plan "2020" (see page 6), whose main themes are the restructuring of corporate governance and the growth of business. In addition to the management plan, we drew up the 2nd Medium-Term CSR Plan after reviewing the priority CSR measures, aiming to achieve further growth toward 2020. Under the new CSR plan, we will promote initiatives centering on the following measures: (Planned period: June 2018-May 2020)



Fiscal 2017 Results of CSR Activities

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 2017 are shown in the table below.

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

CSR category	Related page	Priority item	Major theme	Targets for FY2017 and onward	FY2017 results	Self-assessment
Governance and compliance	P.17 ~18, 21 ~22	Corporate governance	Hold discussions at meetings of the Board of Directors, the Board of Corporate Auditors and other committees to promote 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.	- Held meetings of the Board of Directors 10 times and meetings of the Board of Corporate Auditors nine times. - Held meetings of the CSR Promotion Committee meetings five times to review activity plans.	A
			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 requiring disclosure: 0]	- Implemented activities with the Financial Control Committee playing a central role. [Result: Number of material weaknesses requiring disclosure: 0]	A
		Compliance	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 education 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 collective training. [Rate of plans implemented: 100%]	- Provided compliance education at training by level and training for new employees. [Rate of plans implemented: 100%] - Provided compliance education (as part of training for officers, training for executive employees, and workshops). - Read the Code of Conduct aloud in unison at the morning assembly and weekly meetings.	A
			Continue compliance-related monitoring.	- Conduct compliance audits in rotation. [Rate of plans implemented: 100%]	- Implemented a compliance audit. [Rate of plans implemented: 100%] Planned to conduct audits primarily for overseas subsidiaries.	A
Operating practices	P.33	Fair transactions Green Procurement	Visualize the status of contracts, and implement legal education and monitoring concerning business transactions.	- Implement education regarding the Subcontract Act through the in-house intranet or collective training. - Conduct internal audits. [Rate of plans implemented: 100%]	- Implemented education regarding the Subcontract Act through collective training. - Conducted internal audits. [Rate of plans implemented: 100%]	A
			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. [Result: Once a year]	A
Human Rights, employment, treatment of employees, and human resource development	P.29 ~32	Respect for diversity	Create a comfortable working environment that respects the diversity of employees.	- Have subsidiaries submit their plans for measures to achieve the legally required percentage of employees with 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 Teclth Ltd. and Owari Seisen Co., Ltd.)	- Achieved the legally required percentage of employees with disabilities at Suminoe Textile Co., Ltd. - At subsidiaries, measures to achieve the legally required percentage not yet implemented.	B
			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 resource development	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 "Time Management" and "Improving Communication Skills" as the themes.	A
			Develop global human resources.	- Create the foundations of a system to develop global 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, online course, and training course to be taken before leaving for overseas duty). - The foundations of a system to develop global human resources have not yet been established.	B
		Women's empowerment.	- Dispatch female employees to the Women's Empowerment Support Forum. - Discuss training ideas, such as training on coaching female subordinates geared to managers. - Publicize the active roles played by employees through the CSR report. - Publicize the active roles played by employees at training by level.	- Dispatching female employees to the Women's Empowerment Support Forum. - Publicizing the active roles played by employees through the CSR report. - Publicizing the active roles played by employees at training by level.	A	
			Revitalization of human resources.	Implement measures to revitalize human resources. - Hold the Mirai-juku program (a series of seminars on future growth). - Discuss other measures to be taken in the future.	- Held the Mirai-juku program (a series of seminars on future growth) in Tokyo and Nagoya. - Held personal interviews with mid-career hires. - Discussed other measures to be taken in the future at the Human Resource Subcommittee.	B
Safety, disaster prevention, and health	P.30	Occupational 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. - Have the Subcommittee leader and the secretariat regularly hold safety inspections. [Target: At least six offices/factories]	- The Central Health and Safety Subcommittee shared Group-wide the "proposal instances" and "awareness-raising examples" carried out at respective offices/factories, to promote occupational accident prevention activities. - Members of the Central Health and Safety Subcommittee inspected factories and exchanged views with employees regarding occupational safety initiatives. - Regularly provided safety education. [Target: Rate of lost-worktime injuries: 1 ⇒ result: 2.0]	C
			- 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 FY2017 and onward	FY2017 results	Self-assessment
Safety, disaster prevention, and health	P.30	Occupational health and safety	Provide care to maintain the health of employees.	- Provide anti-harassment training (in accordance with the plan). - Publicize health consultation services. - Conduct stress checks.	- Provided anti-harassment training. - Publicized health consultation services. - Conducted stress checks.	A
			- Introduce tools to subjectively grasp employees' working hours to all factories/offices (including sales offices). - Firmly establish a system to periodically check working hours to give guidance to employees who work long hours. - Discuss measures to help employees strike a successful work/life balance.	- Introduced time recorders to major offices/factories and sales offices. - 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.	A	
Environment	P.35 ~40	Reduction of environmental impact from business activities	Prevention of global warming.	See page 38		
Risk management	P.33 ~34	Business continuity plan (BCP)	Promote a business continuity plan (BCP) to be implemented in the event of emergency or disaster.	- Regularly review the BCP. - Conduct a drill covering procedures from safety confirmation to communicating relevant information to customers, at all offices/factories.	- When the northern Osaka earthquake occurred, the personal safety information confirmation method that we had prescribed proved to work well in the same manner as in the disaster drills.	B
			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%]	A
		Information security	Provide information security education (security of information terminals and personal information protection).	- Provide information security education.	- Provided information security education. - Formulated the information security policy.	A
			Carry out awareness-raising activities to prevent insider trading.	- Implement awareness-raising activities to prevent insider trading.	- Implemented activities to raise awareness among newly appointed officers. - Implemented awareness-raising activities through the in-house intranet.	A
Social contribution management activities	P.41	Social contribution activities	Promote quality improvement efforts.	- Regularly hold Quality Assurance Joint Meetings (quarterly), and implement 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 (in January, April, July and October). - Implemented activities to share the initiatives regarding quality management (activities to reduce the percentage of defective products and losses due to defective quality), and chemical substances regulations.	A
			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. - Introduce products developed by incorporating customer opinions in our CSR Report.	- In FY 2017, the Customer Service Center received 2,292 inquiries/complaints. Among them, inquiries about products, standards, prices and functionality accounted for 46% (1,032 cases), and complaints accounted for 4% (90 cases). - Regarding complaints, after classifying their contents and analyzing their causes, we will utilize the results for the next time we develop products.	B
			Properly disclose investor relations information.	- Disclose in a timely manner the quarterly summary of financial results to the Tokyo Stock Exchange, and publish the summary on the Company's website without delay.	- Disclosed in a timely manner the quarterly summary of financial results to the Tokyo Stock Exchange, and published the summary on the Company's website without delay.	A
Consumer issues / Social contribution management activities	P.41	External communications	Promote communication with stakeholders (publicize the strength of the Company).	- Hold conventional external communications. - Start to discuss plans for initiatives to improve our corporate image.	- Presented Suminoe Textile booths at various exhibitions, including JAPANTEX 2017 and the 84th Tokyo International Gift Show. - Increased the number of dialogs with institutional investors as compared with the previous fiscal year, and actively communicated with them, aiming to promote their understanding of the Group's business and its results. - Actively disclosed information by posting IR meeting handouts on the website, in addition to disclosing legally required documents. - Discussions are under way as to plans for initiatives to improve our corporate brand image.	A
			Contribute to the local communities. Carry out social contribution activities relating to environmental protection.	- Contribute to the local communities, and carry out social contribution activities relating to environmental protection.	- Continued local contribution activities and environmental protection activities. - Willingly engaged with the local communities, and participated in activities for regional preservation and revitalization.	B

Initiatives to Prevent Recurrence

The inappropriate accounting at our U.S. subsidiary Suminoe Textile of America Corporation has reminded us of the importance of enhancing corporate governance and ensuring compliance, resulting in the new opportunities set for training and awareness-raising activities to promote initiatives to prevent recurrence.

Compliance

Compliance Guidance

The Compliance Guidance issued in April 2017 is used as a tool for lectures on compliance, which are continuously provided for employees at the time they enter the company and training by level. English and Chinese versions of the Guidance were distributed to employees of overseas Group companies. Employees are also encouraged to recite the Code of Conduct in unison to help foster their awareness of compliance.



English and Chinese versions of Compliance Guidance

Familiarizing employees with whistleblowing contact points

In addition to the contact points for whistleblowing already in place, such as the Corporate Ethics Hotline, an outside attorney's office for consultation, and outside health consultation services, we set up a new external contact point available exclusively for consultation on harassment through which employees can seek consultation easily and with peace of mind. Employees are notified of and encouraged to use these contact points at occasions of in-house training and workshops.

■ Consultation services used (FY2017)

Corporate Ethics Hotline	3 cases
Outside attorney	0 cases
Health consultation service (consultation on harassment)	6 cases
Harassment consultation contact point	1 case

Compliance Workshop

In 2018, the Compliance Workshop was held six times at the Head Office of SUMINOE Co., Ltd. in August and 10 times at the Tokyo Branch in October, in which a total of 315 employees, including those from Group companies, participated.

In the first half of the workshop, lectures on basic compliance themes that employees must know as minimum necessary knowledge, such as why compliance is important and the impact of non-compliance on a company, were provided. The second half of the workshop was for group discussions on the theme "What are the risks underlying your work and what are the countermeasures to them?" To help deepen understanding gained at the workshop, participants were asked to hold a meeting at their respective workplaces at a later date and submit a report, so that their compliance awareness can be shared.

The workshop served as a useful opportunity for participants to feel familiar with compliance by understanding the risks in their own work.



Exchanging opinions in group discussions

[Opinions and comments provided in reports]

■ Meeting theme

"To ensure compliance, what I will do and what I will encourage people around me to do"

- Do not overlook any conduct violating compliance but consult supervisors or colleagues.
- Create an open corporate culture and workplace atmosphere that make employees feel easy to consult.
- Create opportunities to gather opinions and information, such as the workplace meeting held this time.
- Rotate jobs to reduce the chances of misconduct occurring.
- Formulate job manuals to ease work burdens.
- Hold seminars by legal specialists to enable employees to conduct legal checks, to prevent them from violating laws without knowing.



Training for executive employees

To learn the compliance knowledge necessary for executive employees who hold the position of supervisor or instructor, approximately 90 manager-level employees gathered for a training session from all Group companies in Japan in May 2018.

Following lectures by internal instructors on the current status of compliance initiatives of the Group and future tasks, the executive participants gave presentations on the compliance awareness in their respective departments and their views on how to create a comfortable workplace, and exchanged opinions with top management.



Management by walking around

Directors and operating officers of Suminoe Textile Co., Ltd. promote "management by walking around," which means visiting worksites other than those in their own division with the aim of interactively communicating with employees.

In fiscal 2017, each officer visited nine to 10 offices on average. After the visit, discussions were held mainly at the Meeting of Operating Officers on the findings and problems found at each worksite and their solutions to the problems. Starting from May 2018, information on such discussions has been made available on the in-house intranet to executives in certain positions to enable them to share the information. Moreover, Management Meetings were held five times during the year at offices other than the Suminoe Textile Head Office, expanding the scope of "management by walking around."

The results of the Questionnaire Survey on Workplace Comfort (see below) conducted once a year also indicate high expectation of employees for "management by walking around" to lower walls between departments. We will further promote initiatives to activate communication between officers and employees so they can feel the effects of the "management by walking around."



TCHS (Thailand)

Questionnaire Survey on Workplace Comfort (In-house Employees' Opinion Survey) 2018

The Questionnaire Survey on Workplace Comfort is conducted once a year for all employees in order to assess the progress of CSR activities and utilize the results for future initiatives.

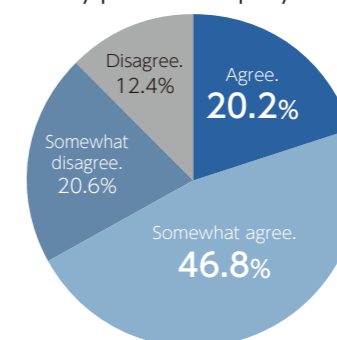
In the 2018 survey, those who agreed to "I feel strongly that I want to work at my present company for a long time" decreased by 0.14 points from the 2017 survey. In response to this result, which made us aware of the need to increase employee satisfaction, various measures mainly to revitalize human resources, such as holding interviews with employees and lunchtime meetings, were implemented.

The opinions employees gave and the survey results are shared with management and the responsible personnel in each department, to be reflected in efforts to create comfortable workplaces. A summary of the survey results is made available on the in-house intranet, so the information can be shared among all employees. For overseas operation sites, the questionnaires were translated into local languages so they can be responded to not only by Japanese expatriates but also local employees.

We will continue conducting this survey as a tool to correctly grasp the awareness and value of employees concerning their company and work, and to reflect these in our CSR activities.

[Results of general/contract employees]

■ I feel strongly that I want to work at my present company for a long time



Index based on a scale of 4 **2.75**

(Decrease by 0.14 from the 2017 survey)

Agree. — 4 points
Somewhat agree. — 3 points
Somewhat disagree. — 2 points
Disagree. — 1 point

[About the survey]

All Group employees both in Japan and overseas were targeted. Questions were asked in eight categories including "work," "workplace," and "corporate culture," and each question was answered in two ways: four-grade multiple choice and free comments. Note that responses from overseas employees are not included in the above survey results.

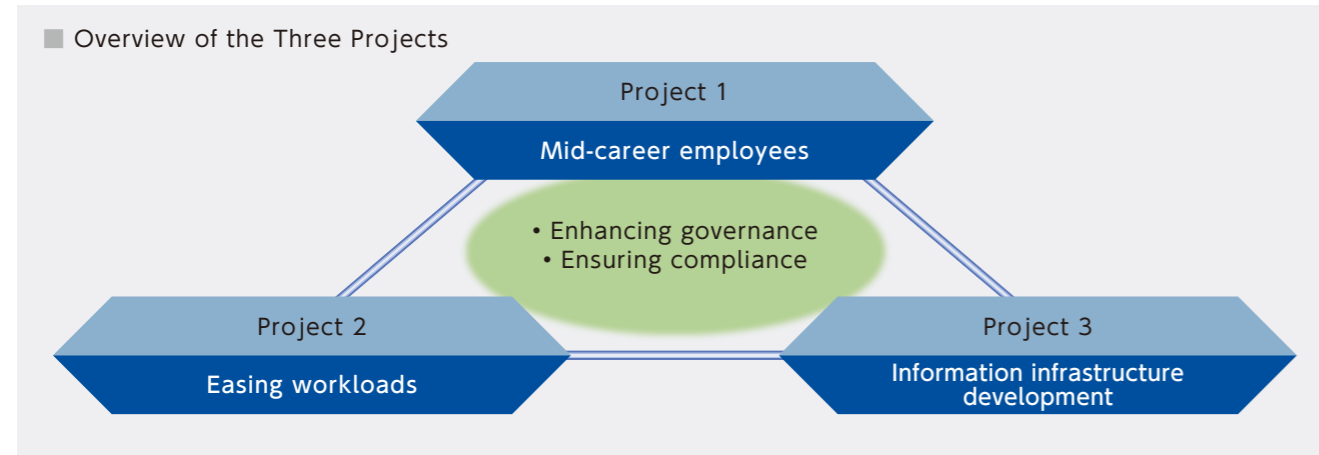
Efforts under the Three Projects

Enhancing governance and ensuring compliance are positioned as crucial tasks that should be addressed by the entire Group.

Starting from fiscal 2016, three projects have been promoted by teams formed with members gathered from each Group company to facilitate effective activities.

In fiscal 2017, the second year since the projects' launch, each team began practical activities to achieve the goal of each project.

The following describes the three projects.



Project 1 "Mid-career employees"

Project kickoff

In June 2017, to develop next-generation human resources and promote corporate culture reforms, a mid-career employees' team for the SRP (Suminoe Revival Project) was formed directly under top management as an initiative for the medium to long term. Upholding the theme "Activate interaction between human resources across departments and improve their problem-solving skills," mid-career employees responsible for practical operations collaborated across departments in identifying solutions to worksite problems.

Activities in FY2017

In fiscal 2017, a kickoff meeting and four group discussion meetings were held. First, to clarify the current work situations, an "inventory counting of operations" was conducted in team members'

departments, not only to determine the time required for each operation but also to assess, from a risk management perspective, its degree of importance in the Company and external level of significance. The assessment revealed that some operations with low importance and low significance took employees much time, and that workloads disproportionately fell on employees in specific age groups.

Future plan

In fiscal 2018, we will implement improvement measures to solve the problems found in the "inventory counting of operations." Through this initiative, we aim to develop human resources who are familiar with the concepts of work improvement and risk management, thereby promoting Group-wide reform of the corporate culture and systems.



Group discussions

Project 2 "Easing workloads"

In developing our Group while maintaining a relationship of trust with society, it is important for all employees to comply with laws and regulations with a strong ethical sense and always take justifiable action. However, such awareness of compliance tends to become weaker when under the pressure of daily work. To raise awareness of compliance, easing employees' workloads is crucial.

In this project, members first assessed the workload on each work operation in their respective departments. After that, in preparation for implementing measures to ease workloads, they conducted fact-finding surveys on all Group divisions and departments in Japan.

Future plan

The fact-finding survey clarified the workloads at all Group divisions and departments in Japan (13 companies, 116 departments).

We will analyze the workloads found and formulate improvement measures that can be implemented throughout the Group, such as automating routine operations, with the aim of eventually reducing workloads.

Outline of the fact-finding survey on workloads

[Survey period]

November 2017 to February 2018

[Objective]

To clarify the volume and the type of workload for each work operation, as well as the causes and background/reasons for this, allowing the findings to be used in formulating and implementing improvement plans in subsequent years

[Target]

Suminoe Textile Co., Ltd. and its Group companies in Japan

[Method]

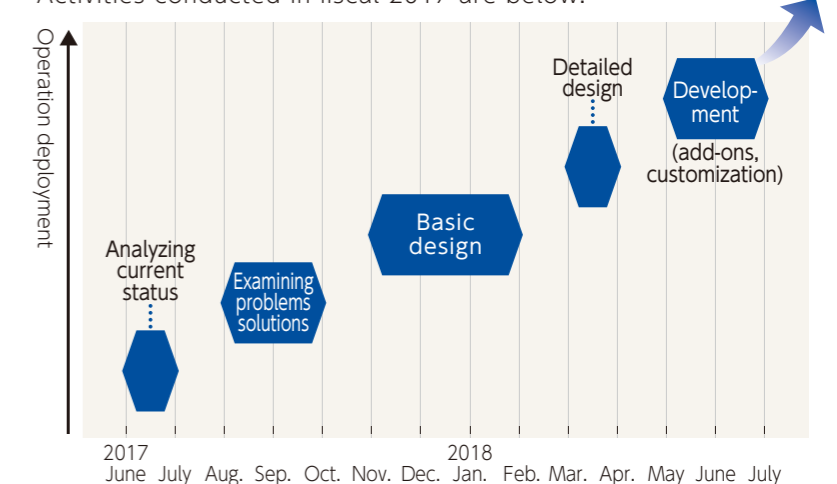
- (1) Distribute the workload survey form to all departments.
- (2) Each department then identifies the operations that constitute loads, such as operations that take time or that are inefficient.
- (3) Lastly, each department enters into the workload survey form the identified workloads, the degrees of the workloads, and possible improvement measures, if any. The secretariat then collects the forms.

Project 3 "Information Infrastructure Development"

The Suminoe Textile Group uses a unique core operation system that was developed from scratch. The system, however, experiences several problems, including inefficient and person-dependent operation quality, rising system maintenance costs, inappropriate cooperation and integration between departments due to the separation of work processes associated with corporate divisions and globalization, and restrictions on the accurate and prompt utilization of information. As a solution to these problems, project team members are proceeding with the introduction of an ERP package to a model business division selected prior to full-scale implementation.

Activity results

Activities conducted in fiscal 2017 are below.



[Feedback from the secretariat]

For the new core system, introduction of an ERP package, currently installed at some overseas plants, is planned. In implementing the transition from the current system, the project team has faced several unexpected problems. Members have addressed each problem by consulting with each other, which is far more difficult than one might imagine. We hope that this precious experience of so-called "birth pangs," possibly understood only by those who have experienced them, will be shared and utilized for our future activities.

Future plan

Members will develop additional necessary functions for the package and a function to facilitate interfacing with other systems, with a plan to start operating the model-case business segment in October 2018. In line with the introduction, the project will examine excesses and shortages in current operation processes with the aim of optimizing the processes. A similar approach will be gradually launched for other segments.