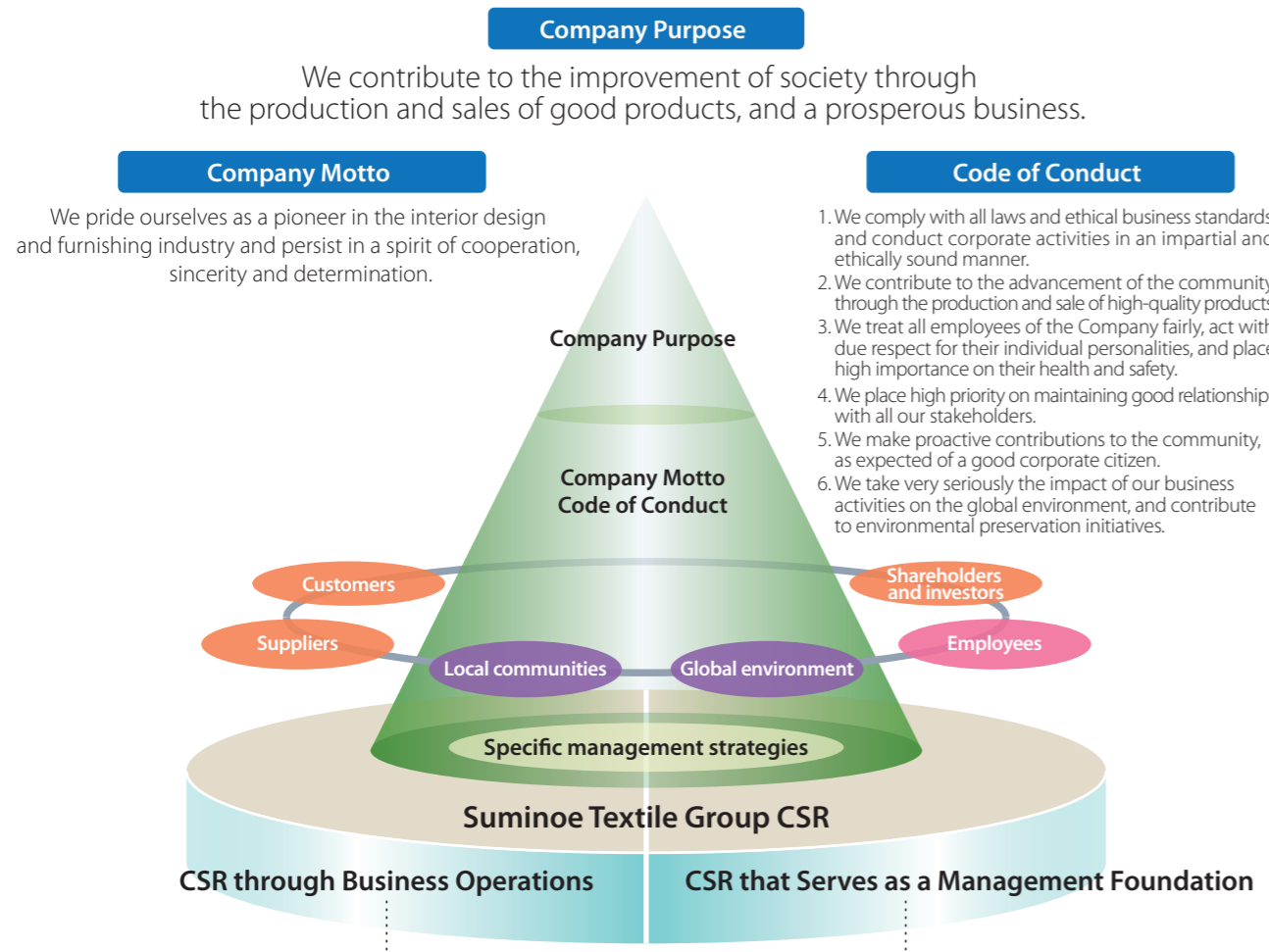


Initiatives for CSR

Corporate Philosophy and CSR System of the Suminoe Textile Group



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

1. We comply with all laws and ethical business standards, 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.
3. 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.
6. We take very seriously the impact of our business activities on the global environment, and contribute to environmental preservation initiatives.

- 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.

- Establishing a fair and highly transparent governance system.
- Ensuring thorough compliance* 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.

* 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.

Communication with Stakeholders

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.

| Customers | Suppliers | Shareholders and investors | Local communities | Employees | Global environment |
|--|--|--|--|--|--|
| 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. | 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 aim to give back to our shareholders and investors. 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 -elop 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). |

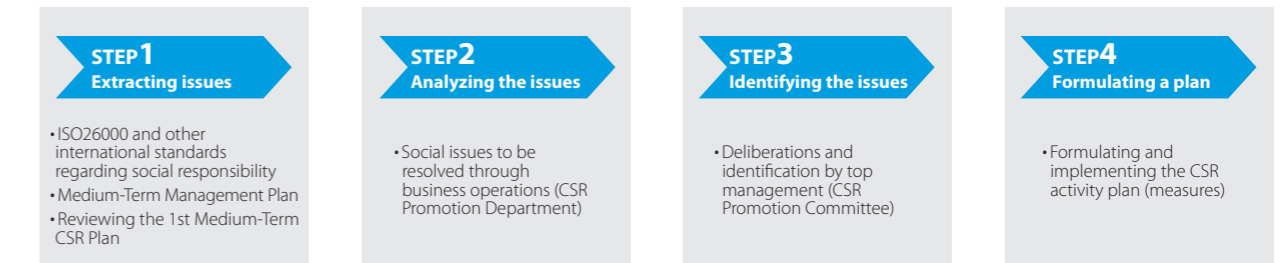
CSR Activity Policy

To further enhance its corporate value and win a broader range of social trust, the Suminoe Textile Group aims to simultaneously advance both "CSR through Business Operations" and "CSR that Serves as a Management Foundation."

Medium-Term CSR Plan

We formulated the Medium-Term Management Plan "2020," 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, aiming to achieve further growth toward 2020. Under the new CSR plan, in which our key CSR issues are identified, we are promoting initiatives.

Process of identifying the key CSR issues



2nd Medium-Term CSR Plan and Priority issues (Planned period: June 2018 – May 2020)

| ESG item | Top priority issues | Measures (initiatives) | Stakeholders concerned |
|----------|---|--|--|
| G | 1 Corporate Governance | • Promote fair corporate activities | All stakeholders |
| G | 2 Compliance | • Raise compliance awareness of executives and employees and improve their compliance training | All stakeholders |
| G | 3 Fair operating practices | • Improve work-related legal education and internal audits • Promote procurement based on the Green Procurement Guidelines | Suppliers |
| S | 4 Human resource development and revitalization | • Implement training programs and develop globally competent human resources • Respect diversity (promote women's empowerment, employment of persons with disabilities, re-employment of retired employees, and employment of foreign nationals) • Promote reform of working practices (improve the systems for supporting employees in caring for children, the elderly and other family members and promote a work-life balance) | Employees |
| S | 5 Health and safety | • Prevent occupational accidents (provide safety education and implement risk assessment) • Create a comfortable working environment (promote employees' health) • Correct the issue of long working hours | Employees |
| ESG item | Priority issues | Measures (initiatives) | Stakeholders concerned |
| S | 6 Quality improvement | • Regularly hold Quality Assurance Joint Meetings | Customers |
| S | 7 Stakeholder communication | • Promote proactive IR activities • Improve corporate image | Shareholders and investors |
| S | 8 Appropriate response to customers and sharing customer service experiences company-wide | • Work on daily business activities and ensure our Customer Service Center's appropriate response to customers | Customers |
| G | 9 Promote a business continuity plan (BCP) to be implemented in the event of an emergency or disaster | • Regularly review the BCP | All stakeholders |
| G | 10 Risk management | • Raise awareness of risk management at overseas subsidiaries | All stakeholders |
| E | 11 Environmental impact reduction | • Promote Eco Challenge 2020 and the development of environmentally friendly products | Local communities and the global environment |
| S | 12 Implement social contribution activities | • Promote regional preservation and revitalization, environmental conservation, and biodiversity preservation | Local communities and the global environment |

After identifying the issues that the Suminoe Textile Group should address, we have classified them into "top priority issues" and "priority issues." Then we have formulated the measures (initiatives) to grapple with these issues.

In the above process, we have also clarified the relationship between these issues and ESG items.

* ESG stands for Environmental, Social and Governance.

ESG refer to the three factors that companies should take into account toward the realization of a sustainable society.

Initiatives for CSR

Fiscal 2018 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 2018 are shown in the table below.

A : Accomplished B : Almost accomplished C : Not accomplished

| CSR category | Related page | Priority item | Major theme | FY2018 targets | FY2018 results | Self-assessment | | |
|--|----------------------------|-----------------------|---|--|--|--|--|---|
| Governance and compliance | P.19-20 and P.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. | <ul style="list-style-type: none"> Hold meetings of the Board of Directors and the Board of Corporate Auditors Review activity plans at CSR Promotion Committee meetings. | <ul style="list-style-type: none"> Held meetings of the Board of Directors 9 times and meetings of the Board of Corporate Auditors ten 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. | <ul style="list-style-type: none"> Reduce the number of material weaknesses requiring disclosure in the internal control evaluation to zero. | <ul style="list-style-type: none"> 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. | <ul style="list-style-type: none"> Provide compliance education at training by level. Distribute the Compliance Guidance to new employees and hold seminars to provide them with basic compliance knowledge. Hold compliance workshops. Timely publish compliance information through the in-house intranet. [Rate of plans implemented :100%] | <ul style="list-style-type: none"> Provided compliance education at training by level and training for new employees. [Rate of plans implemented :100%] Provided compliance education (as part of the training for officers and compliance workshops). Read the Code of Conduct aloud in union at the morning assembly and weekly meetings. | A | | |
| | | | Continue compliance related monitoring. | <ul style="list-style-type: none"> Conduct compliance audits in rotation. [Rate of plans implemented: 100%] | <ul style="list-style-type: none"> Conduct compliance audits in rotation. [Rate of plans implemented: 100%] Planned to conduct audits primarily for overseas subsidiaries. | A | | |
| Operating practices | P.21 | Fair transactions | Visualize the status of contracts and implement legal education and monitoring concerning business transactions. | <ul style="list-style-type: none"> Implement education regarding the Subcontract Act and the Antimonopoly Law. Conduct internal audits. [Rate of plans implemented :100%] | <ul style="list-style-type: none"> Hold study meetings, briefing sessions and awareness-raising activities regarding the Subcontract Act and the Antimonopoly Law. Conducted internal audits. [Rate of plans implemented :100%] | A | | |
| | — | Green Procurement | Promote the Green Procurement Guidelines. | <ul style="list-style-type: none"> Distribute the guidelines to suppliers and collect Green Procurement records. [Target :Once a year] | <ul style="list-style-type: none"> 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.25-28 | Respect for diversity | Implement activities to create a comfortable working environment that respects the diversity of employees. | <ul style="list-style-type: none"> Increase the percentage of employees with disabilities. Have Senior Employees create job manuals in their specialized field. Hold study meetings in which Senior Employees serve as instructors. | <ul style="list-style-type: none"> Did not achieve the legally required percentage of employees with disabilities. Measures were not implemented to have Senior Employees create job manuals in their specialized field and to hold study meetings in which Senior Employees serve as instructors. Continued to preserve knowledge and skills of Senior Employees and hand them down to future generations. Publicized the active roles played by Senior Employees through the CSR report. | C | | |
| | | | Improve the systems for supporting employees in caring for children, the elderly and other family members. | <ul style="list-style-type: none"> Improve the systems for supporting employees in caring for children, the elderly and other family members. Promote a work-life balance (by promoting no-overtime days and increasing the use of paid leave). | <ul style="list-style-type: none"> Revised the manual for supporting a balance between work and childcare and created a manual for supporting a balance between work and care of the elderly and other family members. Promoted a work-life balance (by promoting no-overtime days and increasing the use of paid leave). | B | | |
| | | | Implement group training to help employees improve their skills and abilities. | <ul style="list-style-type: none"> Provide training sessions by level and by theme and improve the content of these sessions. Implement training sessions by carefully selecting themes suited for employees (referencing the trainee questionnaire survey results). | <ul style="list-style-type: none"> Training by level: Discussed the content as in previous years. Training by theme: Implemented training by selecting "Improving Communication Skills" and "Improving Preparation Skills" as the themes. | A | | |
| | | | Develop global human resources. | <ul style="list-style-type: none"> Provide prior training for employees who will leave for overseas duty. Continue to provide foreign language training programs. Hold meeting to exchange information with employees who have experienced working overseas. Hold on-site training for young employees. Hold risk management seminars. | <ul style="list-style-type: none"> Administered TOEIC tests for new employees. Provided foreign language training programs (school attendance course, correspondence course, online course, and prior training for employees who will leave for overseas duty). | B | | |
| | Human resource development | P.25-28 | Women's empowerment | <ul style="list-style-type: none"> Publish Top Message in the notes and in-house magazines. Actively recruit female employees. Hold training programs for male managers and female employees to encourage them to change their mindsets. Implement round-table discussions between female employees and their role models (female managers). Establish a re-employment system (to let retired employees come back to work). | <ul style="list-style-type: none"> Dispatched female employees to the Women's Empowerment Support Forum. Publicized the active roles played by female employees through the CSR report and at training by level. Implemented Career Design Training and Training on Coaching Female Subordinates. Established the re-employment system "Job Return System." | A | | |
| | | | | Revitalization of human resources. | <ul style="list-style-type: none"> Hold the Mirai-juku program (a series of seminars on further growth). Implement "management by walking around." Hold interviews with employees to foster next-generation leaders. Hold lunchtime meetings. | <ul style="list-style-type: none"> Held the third Mirai-juku program (a series of seminars on further growth). Management Meetings were held five times a year at operation sites other than the Suminoe Textile Head Office as part of "management by walking around." Held lunchtime meetings and interviews with employees to promote communication with them. | A | |
| | | | Occupational health and safety | P.26 | Promote activity plans to protect the safety of employees. | <ul style="list-style-type: none"> Have the Central Health and Safety Subcommittee consolidate opinions and promote information sharing. Share information related to occupational accidents. Target for the rate of lost-worktime injuries: 1.0 or lower Provide safety education. Implement risk assessments. Conduct mutual patrols between different factories/offices | <ul style="list-style-type: none"> The Central Health and Safety Subcommittee consolidated opinions and promoted information sharing. Shared information related to occupational accidents. The rate of lost-worktime injuries stood at 1.33, falling short of the target. Regularly provided safety education. Implemented risk assessments (at the Shiga Factory, in addition to the Nara Factory). Conducted mutual patrols between the offices/factories where Health and Safety Committee meetings were held. | B |
| | | | | | Carry out disaster drills. [Rate of plans implemented :100%] | <ul style="list-style-type: none"> Carried out disaster drills. [Rate of plans | A | |

| CSR category | Related page | Priority item | Major theme | FY2018 targets | FY2018 results | Self-assessment | | | |
|---|--|--------------------------------|--|--|--|---|---|--|--|
| Safety, disaster prevention, and health | P.26 | Occupational health and safety | Promote activity plans to protect the safety of employees. | <ul style="list-style-type: none"> Continue to provide anti-harassment training. Further notify the contact points for harassment consultation. Increase the number of harassment counselors (including those working at affiliated companies). | <ul style="list-style-type: none"> Provided anti-harassment training at small offices/factories. Further notified the contact points for harassment consultation. Measures were not implemented to increase the number of harassment counselors. | B | | | |
| | | | | <ul style="list-style-type: none"> Manage and grasp employees' overtime work hours. Hold interviews with employees who work long hours. Implement measures for operational improvement. Make the rounds of workplaces on no-overtime days. | <ul style="list-style-type: none"> Periodically checked employees' overtime work hours, confirmed whether there were differences between actual working hours and the records on the time recorders, and provided guidance where necessary. Held interviews with employees who work long hours. Made announcement on the public address system to prompt employees working overtime to return home early. | B | | | |
| | | | | <ul style="list-style-type: none"> Discuss activities to raise employees' awareness of their health improvement. | <ul style="list-style-type: none"> Did not hold discussions on awareness-raising activities for employees' health improvement. | C | | | |
| | | | | <ul style="list-style-type: none"> Conduct a safety confirmation drill at other offices/factories. Conduct a BCP drill including procedures for communicating relevant information to customers at the Head Office. Hold discussions on a new method of confirming personal safety information. | <ul style="list-style-type: none"> Conducted a safety confirmation drill at the head office of SUMINOE Co., Ltd. Did not implement a BCP drill including procedures for communicating relevant information to customers at the Head Office. Discussions are under way on a new method of confirming personal safety information. | B | | | |
| Risk management | P.23 | BCP | Promote a business continuity plan (BCP) to be implemented in the event of emergency or disaster. | <ul style="list-style-type: none"> Implement awareness-raising activities regarding intellectual property rights (through the in-house intranet and training sessions). [Rate of plans implemented :100%] | <ul style="list-style-type: none"> Implemented awareness-raising activities regarding intellectual property rights (through the in-house intranet and training sessions). [Rate of plans implemented :100%] | A | | | |
| | | | | <ul style="list-style-type: none"> Provide information security education (security of information terminals and personal information protection). | <ul style="list-style-type: none"> Provide information security education at training by level. Provided information security education using a DVD at training by level. | A | | | |
| | — | Information security | Carry out awareness-raising activities to prevent insider trading. | <ul style="list-style-type: none"> Implement awareness-raising activities regarding insider trading. | <ul style="list-style-type: none"> Implemented awareness-raising activities regarding insider trading through the in-house intranet. | A | | | |
| | | | | <ul style="list-style-type: none"> Regularly hold Quality Assurance Joint Meetings Implement quality improvement activities (activities to reduce the percentage of defective products and losses due to defective quality). Continue to implement activities to share the initiatives regarding chemical substances regulations. | <ul style="list-style-type: none"> Regularly held Quality Assurance Joint Meetings, four times a year. Implemented activities to share the initiatives regarding quality improvement (activities to reduce the percentage of defective products and losses due to defective quality) and chemical substances regulations. | A | | | |
| Social contribution management activities | P.30 | Quality improvement | Promote quality improvement efforts. | <ul style="list-style-type: none"> Report the content of inquiries/complaints received by the Customer Service Center to the CSR Promotion Committee. Analyze the contents of complaints and results of the responses to these complaints. Develop products incorporating customer opinions. | <ul style="list-style-type: none"> In FY 2018, the Customer Service Center received 2,158 inquiries/complaints. Among them, inquiries about products, standards, prices and functionality accounted for 32% (691 cases), and complaints accounted for 3% (73 cases). Regarding complaints, after classifying their contents and analyzing their causes, we will utilize the results for the next time we develop products. | B | | | |
| | | | | — | Information disclosure | Properly disclose investor relations information. | <ul style="list-style-type: none"> Disclose IR information related to our corporate activities in a timely manner. Disclose 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. | <ul style="list-style-type: none"> Disclosed IR information related to our corporate activities in a timely manner. 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 |
| | | | | | | | — | External communications | Promote communication with stakeholders (publicize the strength of the Company). |
| | | | | P.35 | Social contribution activities | Contribute to the local communities. Carry out social contribution activities relating to environmental protection. | | | |
| P.36-41 | Reduction of environmental impact from business activities | Prevention of global warming. | <ul style="list-style-type: none"> Reduce energy consumption and fuel consumption by company-owned vehicles each by 1% as part of our efforts to prevent global warming. Improve the rate of use of recycled materials by 1%. Reduce the amount of industrial waste generated by 1% (as compared with fiscal 2017, in terms of basic unit). | | | | <ul style="list-style-type: none"> Achieved the reduction targets both for energy consumption and fuel consumption by company-owned vehicles. Also achieved the improvement target for the rate of use of recycled materials. Did not achieve the reduction target only for the amount of industrial waste generated (as compared with fiscal 2017, in terms of basic unit). | B | |