

Enhancing Governance

Establishing a Trustworthy Corporate Foundation—Fair and Sound Management

Corporate governance*

Governance System

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. In this manner, we ensure the effectiveness of governance.

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

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 policies 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 works 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.

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.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is set up as an advisory body to the Board of Directors. The Committee aims to strengthen its oversight function by improving transparency and objectivity in the evaluation and determination processes concerning the nomination and remuneration of the members of the Board of Directors, thereby further enhancing the corporate governance system.

The Committee membership comprises five directors selected by a resolution of Representative Directors, independent outside directors and the Board of Directors.

The majority of the membership should be outside executives, including independent outside directors.

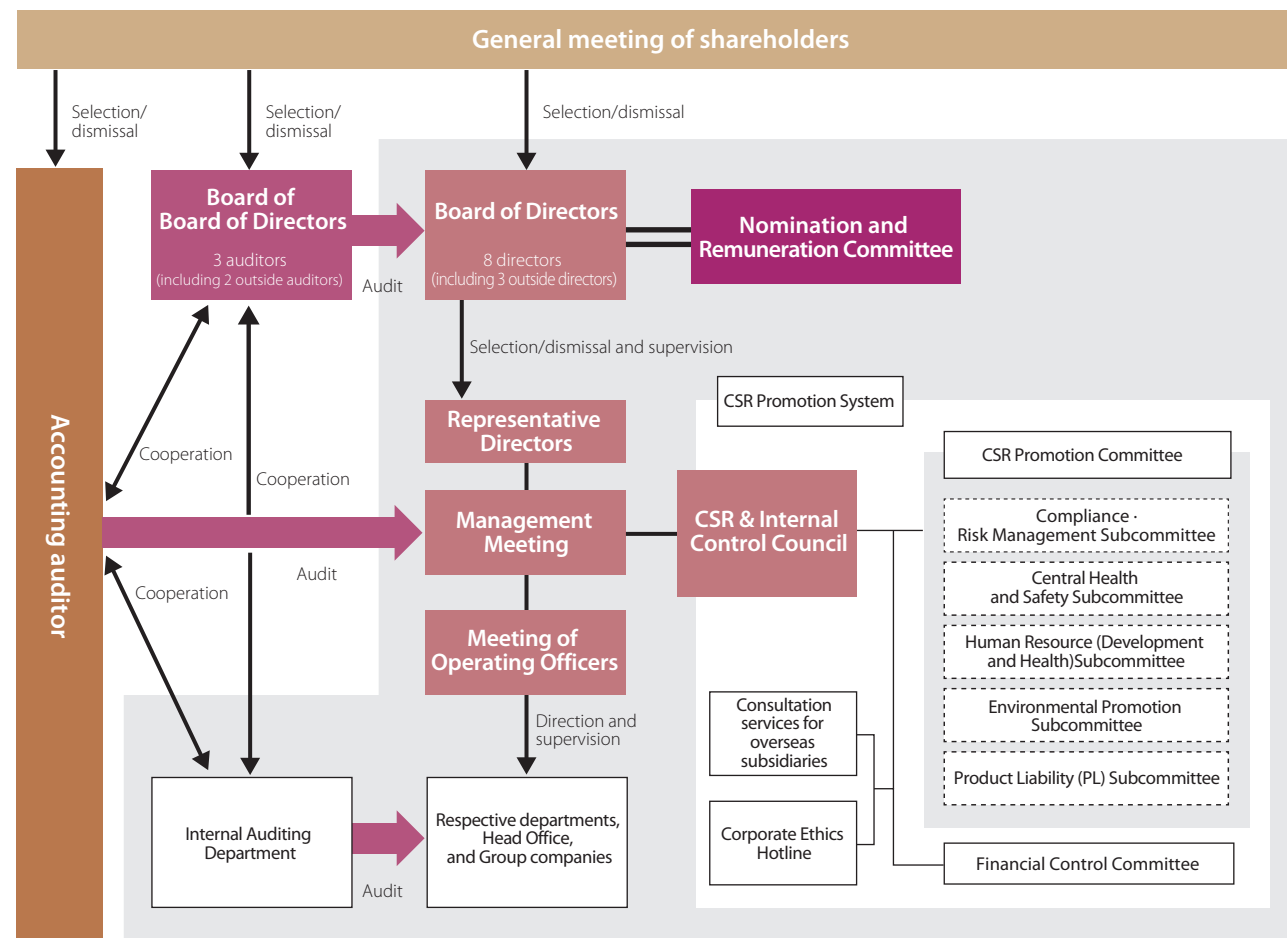
Management Meeting/CSR & Internal Control Council

A 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 a 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.

Corporate Governance and CSR Promotion System



From the left in the back row Outside Corporate Auditor Masashi Hashimoto/Outside Director Kohei Nomura/Corporate Auditor Kunihiko Kotaki/Director Katsuyuki Sawai/
Director Teppei Nagata/Outside Corporate Auditor Atsuhiko Sonoda
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

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Ensuring Compliance

Basic Policy

Corporate Activities in Compliance with Laws and Corporate Ethics

We have formulated the Suminoe Textile Group Code of Conduct and the Suminoe Textile Group Code of Corporate Behavior, both of which lay out the basic policy for implementing compliance management.

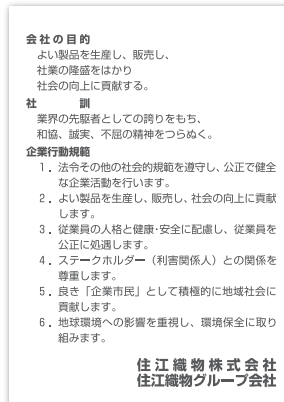
In keeping with the basic policy, officers and employees of the Suminoe Textile Group strive to ensure that their own ways of thinking and behavior are always in compliance with laws and corporate ethics.

Compliance Measures

Creating a Corporate Culture to Develop Compliance Awareness in Daily Operations

The Suminoe Textile Group communicates relevant information to develop compliance awareness among officers and employees through various media contents. For example, 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.



Poster on which the Code of Conduct is printed



Compliance Guidance (Japanese, English and Chinese versions)

Compliance Education

Repeatedly Conducting Awareness-Raising Activities for Enhancing Corporate Governance and Ensuring Compliance

As a fundamental principle of corporate activities, we need to comply with laws and regulations that are applicable to various situations, with a strong sense of ethics.

The Suminoe Textile Group has repeatedly provided compliance education on a regular basis. In accordance with the compliance training plans designed for each operation site, in fiscal 2019 we held a workshop at the Shiga Factory of Suminoe Techno Co., Ltd., with 48 trainees from the production departments in our Group companies. These trainees shared their compliance awareness regarding what are the risks underlying their work and what are misconduct risks, from the viewpoints of compliance in the production departments.



Fair Trade (Compliance with the Subcontract Act)

Implementing Periodic Seminars on Subcontract Act

The purpose of the Suminoe Textile Group is to “contribute to the improvement of society through the production and sales of good products and a prosperous business.” To this end, we consider it very important to deepen the relationship of trust with our suppliers. With particular emphasis on compliance with the Subcontract Act, we continue to take various measures to ensure appropriate and smooth management of subcontracting transactions.

As educational and awareness-raising measures, the Legal Affairs Group of the CSR Promotion Department holds in-house seminars to prevent violations of the Subcontract Act and promote employees’ awareness of the Subcontract Act. In fiscal 2019, these seminars were held at Suminoe Textile Co., Ltd., SUMINOE Co., Ltd., Suminoe Teijin Techno Co., Ltd. and Owari Seisen Co., Ltd., with a total of 123 participants. In the seminar materials, we included some frequently asked questions and answers, as well as examples of actual transaction documents. After the seminars, the lecturers responded to questions from trainees and held individual consultations.

Whistleblowing System

Announcing Whistleblowing Contact Points and Encouraging Their Use

We have established the Corporate Ethics Hotline as a whistle-blowing system covering the entire Group. We encourage employees to use the Hotline to submit a report should they find incidences of violation of laws and regulations or corporate ethics. The Corporate Ethics Hotline Management Office serves as the in-house contact point for whistleblowing. For consultation outside the Company, employees may use an outside attorney’s office, an external contact point exclusively for consultation on harassment, and outside health consultation services. All Group employees are notified of and encouraged to use these contact points on occasions of in-house training and compliance workshops to ensure that they can seek consultation easily and with peace of mind.

■ Consultation services used (number of consultations received)

Consultation contents / FY	2017	2018
Corporate Ethics Hotline	3	2
Outside attorney	0	0
Health consultation service (consultation on harassment)	6	0
Harassment consultation contact point	1	8

Management by walking around

Discussions on Each Worksite’s Problems Based on Interactive Communication between Employees and Management Executives

The Suminoe Textile Group implements “management by walking around,” through which management executives share information and interactively communicate with employees. Executives (directors and operating officers) of Suminoe Textile Co., Ltd. visit Group companies and their offices and factories to exchange opinions with worksite employees.

On March 25, 2019, these executives visited the Ishikawa Factory of Owari Seisen Co., Ltd. After a factory tour, they visited the Hokuriku Office of Suminoe Teijin Techno Co., Ltd. and held a meeting with executives of Owari Seisen, which was followed by a convivial meeting in which local employees also participated.



Questionnaire Survey on Workplace Comfort (In-house Employees’ Opinion Survey) 2019

Realizing a Comfortable Working Environment and Checking on the Progress of CSR Activities

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

In the 2019 survey, those who agreed to “I feel strongly that I want to work at my present company for a long time” increased by 0.05 points from the 2018 survey. In response to this result, to further improve employee satisfaction, various measures were implemented mainly to revitalize human resources. We will continue to carry out these measures in the future.

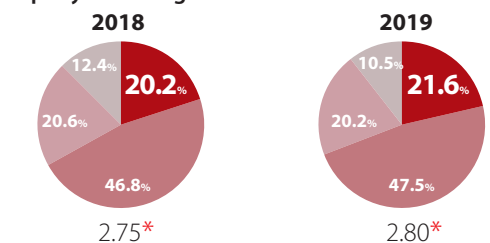
The questionnaire results are reported to the Management Meeting, the Meeting of Operating Officers, and the responsible personnel in each department. These results are also made available on the in-house intranet so that the information can be shared among all employees.

Major Responses to the Survey [Results of General/Contract Employees]

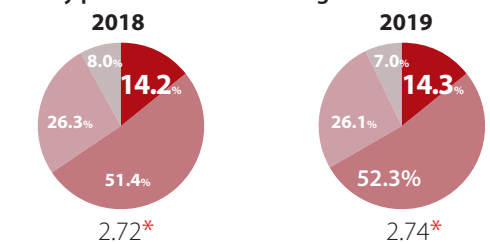
All Group employees both in Japan and overseas were targeted. Questions were asked in eight categories, including “work,” “workplace,” and “corporate culture,” and each question was answered in two ways: four-grade multiple choice and free comments. Note that responses from overseas employees are not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

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

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



I find my present work rewarding



* Index based on a scale of 4

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Risk Management

Risk Management

Risk Management at Offices/Factories in Japan

As for risk management at offices/factories in Japan, we strive to identify risks, mainly the risk of material misstatement in financial reports, based on the risks reported from Suminoe Textile Co., Ltd. and its Group companies. The Financial Control Committee examines the risk assessment results, which are also recognized by members of the management meeting. In implementing internal control, offices/factories in Japan have reduced risks to a certain level. We will henceforth promote the introduction of information technology (IT) to establish a system to mitigate each risk even further.

Risk Management at Overseas Subsidiaries

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

In its sixth year of RM activities, SPM is focusing on “Cost reductions” this fiscal year to achieve improvement. The theme was selected due to the reduction of automobile sales volume caused by a reactionary fall after the last-minute demand before the end of the tax break for automobile purchases and to the deterioration in consumer confidence caused by the U.S.-China trade war. Although it is expected that the impact caused by these factors will not be so strong, the need for activities to maintain profit is increasing. To achieve results steadily, the RM committee sets goals for the items of improvement submitted by each department, examines monthly results, and considers adding items if the goals are not achieved. In this way, SPM is working to ensure good performances and achieve goals.

Indonesia PT. Suminoe Surya Techno (SST)

Last year, SST introduced a stocktaking system using barcodes and handy terminals to prevent inventory variance and showed successful results. This fiscal year, to achieve further risk reduction, SST introduced a production management system targeted at streamlining field work and management, which will serve as a model case for overseas production factories. After achieving full-fledged operation and results at an early stage, the system will be introduced at Suminoe Koide (Thailand) Co., Ltd. (SKT) and Suzhou Suminoe Koide Automotive Accessories Co., Ltd. (SSK), both of which adopt the same production style, thus contributing to the Group-wide project: reengineering of the core system.

We will continue effective and efficient risk management focused on high-risk areas at overseas subsidiaries.

Intellectual Property Management Efforts

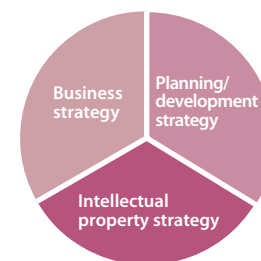
To Achieve the Trinity Strategy

Intellectual property rights include patents, utility model rights, design rights and trademarks. To protect rights of our products, we are working to raise awareness and promote understanding of intellectual property rights among employees.

To be more specific, we publish the Intellectual Property News on the in-house intranet as part of our efforts to provide intellectual property education for employees, regarding the cost required to file patent applications at the Japan Patent Office based on international applications under the Patent Cooperation Treaty, as well as the trinity strategy and intellectual property rights in corporate business activities. In addition, at regular technical meetings held in Nara and Osaka, we introduce related patent information and topics on intellectual property rights.

In business fields with harsh market competition, close coordination of strategies related to business, planning/development, and intellectual property is becoming more important. We will continue our efforts to achieve the “trinity” strategy.

Trinity Strategy



Progress in Preparation of Business Continuity Plans (BCPs)*

Implementation of Personal Safety Confirmation Drills

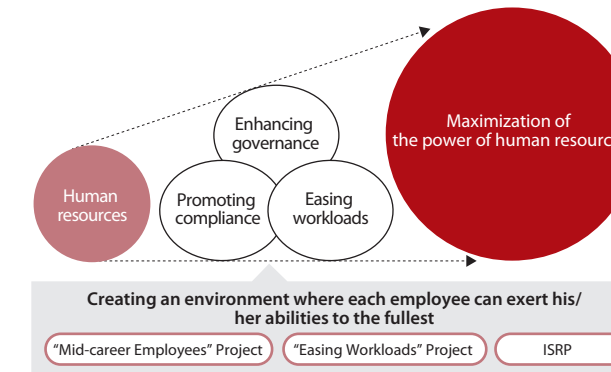
In the event of a disaster, disseminating information to customers speedily and accurately is key for us to maintain customer trust as a company. Based on this idea, our Group has been working to establish its business continuity plans (BCPs), focusing on collecting such information as employees’ personal safety and damage caused by a disaster. At its Head Office building, Suminoe Textile Co., Ltd. has continuously held BCP-based emergency drills, in which participants confirm the personal safety of employees following the in-house emergency contact rules, with particular emphasis on ascertaining how to behave in an emergency.

On September 5, 2019, a personal safety confirmation drill was held on the occasion of the Osaka 8.8 Million Drill, and the emergency headquarters were able to swiftly confirm the safety of all employees. The drill was also held at the head office of SUMINOE Co., Ltd. for the first time.

* BCP: Stands for “Business Continuity Plan,” a plan developed to ensure that a company can continue and/or restore business operations in an emergency, such as a disaster or an accident.

Three Projects

Maximization of the Power of Human Resources



1. “Mid-career Employees” Project

Activate Interaction between Human Resources across Departments and Improve Their Problem-solving Skills

Activities in FY2018

It was the third year for the project that was launched to develop next-generation human resources and to promote corporate culture reforms as a medium- to long-term initiative.

In recent years, “work style reform” has been the focus of attention. In this fiscal year, to advance labor/personnel savings, shorter working hours, and business sophistication, we studied and formulated specific solutions based on the “inventory counting of operations” and “easing workloads” activities conducted last fiscal year, and we implemented feasible solutions.

Awareness Gained

There were cases where workloads increased due to repetition of past operations and insufficient systems, which led to a shortage of time to improve operations. In other cases, excessive time was taken for some operations since convenient functions of certain systems had not been shared among employees. In this fiscal year, we specified these problems and made efforts for improvement, and by that, we achieved some positive results.

Future Plan

The “mid-career employees” team considers it also necessary to compile small improvements. As such, we will start activities to support employees to be involved in the improvement of operations in other departments and promote personnel exchange. In addition, in cooperation with the “easing workloads” project, we will focus on providing suggestions and proposals to the newly established ISRP (Information System Reengineering Project) in advancing our activities.

2. “Easing Workloads” Project

Easing Workloads Is Essential in Raising Awareness of Compliance

Based on the results of the fact-finding survey on workloads conducted last fiscal year to ease workloads, the project team studied “measures to ease workloads regarding operations other than IT-related ones” in each section, focusing on the measures that all departments in our Group can work on.

- ① Training to improve Excel skills (Improving PC operation skills for work efficiency)
- ② Utilization of video conferencing (Considering introduction of video conference systems at feasible operation sites)
- ③ Future challenges (e.g. utilization of shared files, effective utilization of in-house intranet, measures to prevent overtime work [locking PCs, etc.], promotion of paperless operations)

3. ISRP (Information System Reengineering Project)

Accelerate Reengineering of the Core System as a Group-wide Effort

We are working on the reengineering of the core system as a Group-wide effort. It had been conducted as a bottom-up project, but in November 2018, it was changed to a top-down, Group-wide project. The change was made to enhance employees’ awareness that the project is a mission to be undertaken and achieved across the Group and to accelerate the project implementation under closer cooperation involving the entire Group.

ISRP Basic Policy

- ① To compile information required for management promptly and accelerate decision-making
- ② To submit monthly consolidated financial reports early
- ③ To establish a global information management system
- ④ To compare costs (production and procurement at optimal locations) and “achieve competitive costs (strengthening benchmarks)”
- ⑤ To realize the best quality (enhancing traceability and BCPs)
- ⑥ To reduce the use of paper and introduce automatic entry (paperless)
- ⑦ To visualize the costs (sharing cost data across the Group)
- ⑧ To study an operation model to be shared by all operation sites and establish a global standard model
- ⑨ To adjust operations to the standard model without customizing the model for each operation site
- ⑩ To automate the sales order management system