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Suminoe Textile Group
CSR Report
2020





Offering Amenity Spaces and Enriched Lifestyles

For over 137 years since its inception, the Suminoe Textile Group has always endeavored to produce even better products in response to social needs that it has identified.

As a textile manufacturer, we will continue to embrace challenges to create state-of-the-art living spaces.

Editorial Policy

This CSR Report is published with the aim of helping all stakeholders deepen their comprehensive understanding of the Suminoe Textile Group by reporting on its management strategies, businesses and CSR activities.

Period Covered

Fiscal year 2019 (From June 2019 to May 2020)
(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
Guidance for Collaborative Value Creation

Date of Publication

December 2020
(The next report will be published in December 2021.)

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Expanding Our Business into New Fields While Implementing ESG Management



Introduction

We would like to offer our deepest condolences to those whose lives were taken away by symptoms caused by the novel coronavirus (COVID-19) and express our sincerest sympathies to those suffering from COVID-19, as well as their families and loved ones.

In the present fiscal year ending in May 2021, the business environment surrounding the Suminoe Textile Group has been harsh under the impact of the COVID-19 pandemic. Placing the highest priority on taking thorough measures to prevent the spread of COVID-19, we will contribute to the realization of a sustainable society where people can live with peace of mind through the creation of better products based on the Company's development philosophy.

E (Environment): Initiatives to Reduce Environmental Impact

Under its fundamental development philosophy "KKR+A (Kenko [Health], Kankyo [Environment], Recycle and Amenity)," the Group has been working to reduce environmental impact of its products in order to resolve worsening environmental problems, thereby fulfilling its social responsibility as a manufacturer.

ECOS® Recycled Carpet Tiles Produced Using Horizontal Recycling Technology

In 2011, Suminoe Textile released the ECOS® series of recycled carpet tiles produced using horizontal recycling, by establishing the framework for recycling used carpet tiles in collaboration with Refinerve, Inc., a manufacturer having a significant advantage in industrial waste recycling. ECOS® has realized a "closed-loop recycling" system, which repeats the cycle of production, use, and recycling between the same products by using waste carpet tiles as recycled materials for the backing material of new products.

Even now, the recycled material ratio of ECOS® stands at the industry's highest level. In addition, ECOS® uses only waste carpet tiles as recycled raw materials. By clearly identifying the origin of its raw materials, we ensure the safety of this product series.

We are committed to "responsible production" as a manufacturer through the effective use of limited resources and in pursuit of even more sophisticated technologies of recycling models.

Transition to Solution-Dyeing

The Group is changing in stages the dyeing method for yarn used for our products, from piece-dyeing, where white yarn is dyed, to solution-dyeing, where yarn is colored with pigments during the spinning process. Since piece-dyeing requires large amounts of water and electricity as well as dyeing effluent treatment, this method tends to have greater environmental impact. On the other hand, without needing dyeing effluent treatment, solution-dyeing can reduce CO₂ emissions during production as compared with piece-dyeing. Moreover, solution-dyeing carries other advantages over piece-dyeing. For example, solution-dyeing is expected to produce high-quality yarn having favorable properties, such as excellent durability and fewer variations in color. Also, solution-dyed yarn can be manufactured at lower costs. We will continue to strive for environmental impact reduction and quality improvement.

Social (S): Initiatives to Resolve Social Issues

Since its founding, the Suminoe Textile Group has continued to develop by implementing business operations in response to social needs.

Development of Our Proprietary Deodorant Treatment Technology

In the 1990s, when sick building syndrome became a matter of

concern, we addressed the problem through the development of our proprietary deodorant treatment technology for absorbing and decomposing odor-causing substances. Subsequently, we have worked to enhance such technology to satisfy the needs of the times, such as removal of smells in nursing-care facilities and living environments.

Promoting Anti-Virus Products in Various Business Segments

Our textile-processing technology, originally starting with deodorant treatment, has evolved into トリプルフレッシュ®デオ (TRIPLE FRESH DEO), which features not only a deodorant function but also the multiple functions of antibacterial, anti-virus and antiallergen activities. In the interior fittings business, the Group has marketed products treated with anti-virus processing technology for about ten years. Using the processing technology that we have cultivated so far, we will henceforth promote the development of anti-virus products also in the automotive textiles, traffic facilities and functional materials businesses.

Governance (G): Initiatives for Governance

Restructuring of our Core Operation System

Since 2017, Group-wide efforts have been made for the restructuring of our core operation system, including inventory management and sales order management systems, in order to further improve work efficiency. The core operation system is being developed by each division, and the restructured system will come into full service across the Group by around 2022.

Risk Diversification through Globalization

Currently, the Suminoe Textile Group is operating its businesses at 14 manufacturing and sales sites in seven overseas countries, including the United States. In August 2019, we established Suminoe Textile Vietnam Co., Ltd. as a new manufacturing and sales site for electric carpets and other textile-based heating

appliances. While sharpening our competitive edge by promoting globalization, we aim to diversify risks in the supply chain.

To a New Business Segment

In September 2020, CPO Co., Ltd. joined our Group. CPO is a company involved in designing, constructing and construction management of apparel shops, beauty salons, general stores and various other retail stores. In our interior fittings business, we have sold interior fittings, such as carpets, curtains, and wallpaper, and have been highly regarded for our excellent design capabilities and functional processing technology for materials. However, with the addition of this company with a deep knowledge of store design and outstanding know-how of store construction, we are now able to design the entire interior space and embody customer needs at a higher level. In the future, we will expand our business segments from the manufacture and sales of interior fittings to space designing and to the store field, in addition to products geared for hotels, offices, medical, welfare and educational facilities, and general households, all of which have been our conventional business targets.

The recent spread of the novel coronavirus (COVID-19) has forced the entire society to undergo significant changes. The Company has established a work-from-home system and other schemes to improve the working environment for employees and strengthened online sales of products and non-face-to-face selling. In so doing, we will overcome the harsh economic situations. Meanwhile, by vigorously conducting initiatives for business expansion, we will take on bold challenges to explore new business categories.

December 2020

Suminoe Textile Co., Ltd.
Chairman and President

Global Operations of the Suminoe Textile Group

The greatest strength of the Suminoe Textile Group lies in maximizing the capabilities of all Group companies through close cooperation between experts in research and technological development, production and sales.

- Interior fittings business
- Automotive textiles business
- Traffic facilities business
- Functional materials business
- Arts and crafts textiles

China

- 1 SPM Automotive Textile Co., Ltd. Guangzhou
- 2 Suzhou Suminoe Koide Automotive Accessories Co., Ltd. (SSK) Suzhou
- 3 Suzhou Suminoe Textiles Co., Ltd.
- 4 Suminoe Textile Shanghai Co., Ltd. (STS) Shanghai

India

- 5 Suminoe Teijin Techno Krishna India Pvt. Ltd.

United States

- 11 Suminoe Textile of America Corporation (C.A. Design)
- 12 Suminoe Textile of America Corporation
- 13 Bondtex, Inc.

Mexico

- 14 Suminoe Textile de Mexico, S.A. de C.V.

Number of employees (all Group companies)
2,822 employees

Number of Group companies
26 companies

Capital
9.5 billion yen

Overseas operation sites
14 sites in 7 countries

Equity ratio
32.5%

Overseas sales ratio
32.4%

Vietnam

- 6 Suminoe Textile Vietnam Co., Ltd.

Thailand

- 7 Suminoe Koide (Thailand) Co., Ltd.
- 8 T.C.H. Suminoe Co., Ltd.

Indonesia

- 9 PT. Sinar Suminoe Indonesia
- 10 PT. Suminoe Surya Techno

Offices/Factories of Suminoe Textile Co., Ltd.

- 1 Head Office (Osaka City)
- 2 Tokyo Branch (Tokyo)
- 3 Nara Factory (Ikoma-gun, Nara Prefecture)
- 4 Shiga Factory (Koka City, Shiga Prefecture)
- 5 Kyoto Traditional Art and Craft Factory (Kyoto City)
- 6 Sapporo Sales Office (Sapporo City, Hokkaido Prefecture)
- 7 East Tokyo Sales Office (Wako City, Saitama Prefecture)
- 8 West Tokyo Sales Office (Isehara City, Kanagawa Prefecture)
- 9 Nagoya Sales Office (Nagoya City, Aichi Prefecture)
- 10 Hiroshima Sales Office (Hiroshima City)
- 11 Fukuoka Sales Office (Fukuoka City)

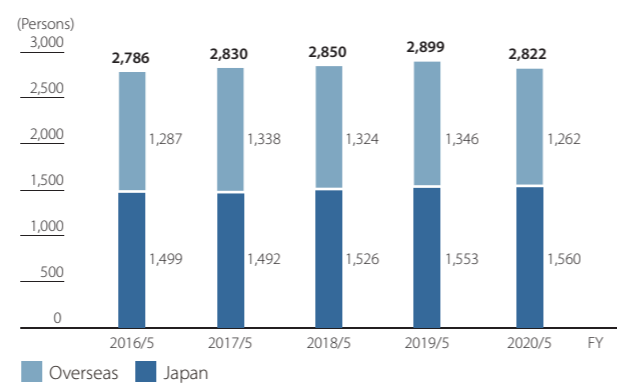
Major Group companies in Japan (head offices)

- 1 SUMINOE Co., Ltd. (Osaka City)
Planning and sales of interior products, mainly carpets and curtains.
- 2 RUNON CO., LTD. (Tokyo)
Planning and sales of interior products, mainly wallpapers.
- 3 Suminoe Logistics Co., Ltd. (Ikoma-gun, Nara Prefecture)
Product storage, handling, processing, and delivery.
- 4 Suminoe Works Co., Ltd. (Tokyo)
Installation of interior products.
- 5 Kansai Laboratory Co., Ltd. (Matsubara City, Osaka Prefecture)
Testing and inspection services.
- 6 Suminoe Teijin Techno Co., Ltd. (Osaka City)
Production and sales of automotive textiles, mainly seat covering materials.
- 7 Marunaka Souei Co., Ltd. (Osaka City)
Wholesales of traffic facilities textiles.
- 8 Suminoe Techno Co., Ltd. (Kyotango City, Kyoto Prefecture)
Production and processing of carpets, continuous fiber spinning (including recycling), and production and sales of needle punch carpets.
- 9 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.
- 10 Teijin Tecloth Ltd. (Inazawa City, Aichi Prefecture)
Production and sales of automotive seat covering materials, chair upholstery fabrics, and clothing textiles.
- 11 Owari Seisen Co., Ltd. (Inazawa City, Aichi Prefecture)
Dyeing and finishing of automotive seat covering materials and interior fabrics.
- 12 Sewing Hyogo Co., Ltd. (Tamba City, Hyogo Prefecture)
Sewing and processing of fabric products.
- 13 INTEC CO., LTD. (Osaka City)
Development, design and sales of test equipment and measuring instruments.

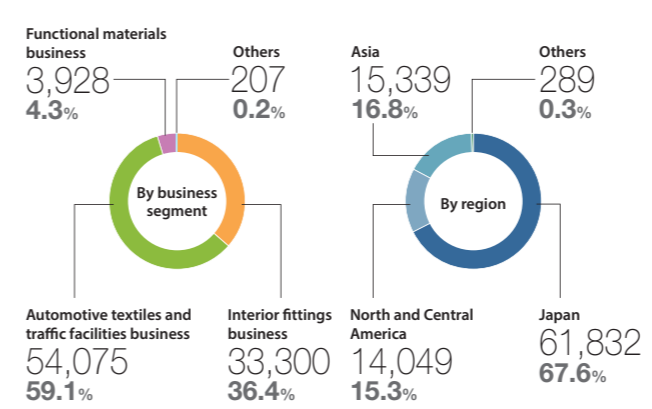
Corporate Summary (as of May 31, 2020)

Name of Company	Suminoe Textile Co., Ltd.
Head Office	11-20, Minami-Semba 3-Chome, Chuo-ku, Osaka 542-8504, Japan
Founded	1883
Incorporated	December 25, 1913 Suminoe Textile Joint-Stock Company
Organizational Change	December 26, 1930 Suminoe Textile Co., Ltd.
Capital	9,554,000,000 yen
Number of Employees	267 (Consolidated group companies: 2,822 employees)

Changes in the number of employees



Net sales breakdown (fiscal year ended May 31, 2020)

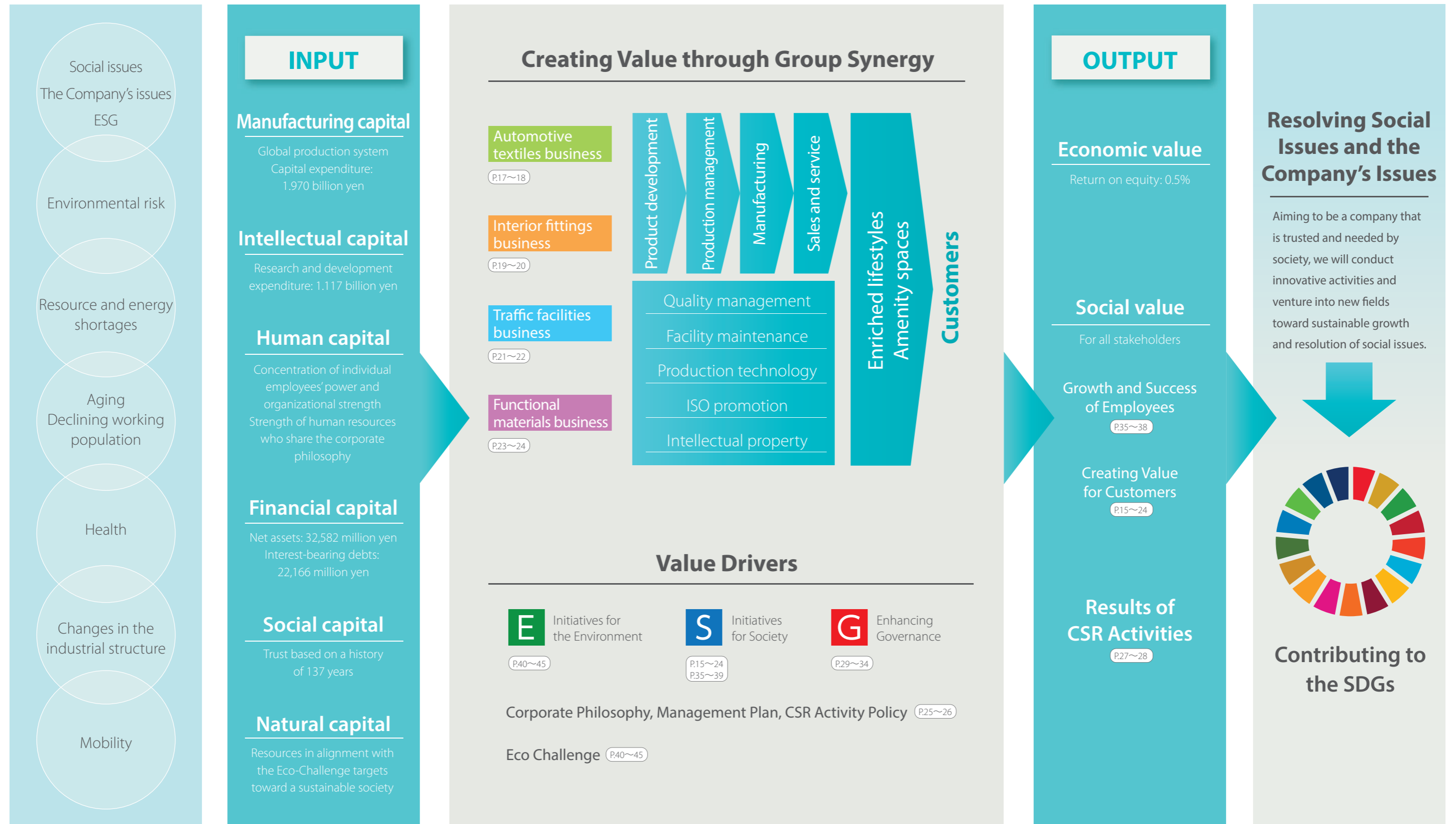


Consolidated numerical results

	2018/5	2019/5	2020/5 (FY)
Net sales	97,872	98,617	91,512
Operating income	2,247	3,118	1,557
ROE	3.2%	1.4%	0.5%

* The Company has not determined its forecast for FY2021 (June 1, 2020 to May 31, 2021) of consolidated financial results since the COVID-19 pandemic made it difficult to make a reasonable estimate of financial results at the time of preparing this report (October 1, 2020).

In line with its Corporate Philosophy, the Suminoe Textile Group will create value that contributes to society, leading to the realization of a sustainable society and enhancement of its corporate value.



Chapter 01 Aiming to Enhance Corporate Value from a Long-term Perspective

The novel coronavirus (COVID-19) pandemic has been threatening people's health and lives, also having significant impacts on social, economic and corporate activities. The pandemic has blocked people's movements and physical distributions worldwide, stagnated economic activities, and destabilized the international financial market, rapidly causing a severe recession in the short term. Under this global crisis, people's sense of values and life in society are greatly changing. To cope with these changes, the Suminoe Textile Group has adopted the following policy for the future.

*The information published here is as of the time of preparing this report (October 1, 2020).

Ensuring the Safety of Employees and Continuation of Business Operations

The Company's Decision-Making

To address the COVID-19 pandemic, after a state of emergency was declared by the central and local governments in Japan, the Suminoe Textile Group announced its own state of emergency notifications to respective Group companies in accordance with the situations on each occasion. Moreover, the Group implemented advice from related divisions at the Company and took other appropriate measures.

The assumption is that due to the COVID-19 pandemic, what is called "the New Normal" will last for more than two years. We should therefore seek the ideal state of working styles and individual evaluations on the premise of the New Normal in the future. As part of countermeasures against the COVID-19 pandemic, we have already introduced remote conferencing, which has proved to be a sufficiently effective means of communication and be able to improve the work efficiency because of travel time saving. On the other hand, remote conferencing reminded us of the importance of talking with others face-to-face. We also realized that the work-from-home system is useful for employees in terms of infection prevention and time

efficiency, whereas working in their living environments makes it difficult to draw the line between public and private affairs, more often ending up in doing overtime since they work irregular hours. Taking into account both advantages and disadvantages of each measure, we have implemented what we can do by trial and error. Going forward, the entire Group will continue to make concerted efforts to overcome this difficult situation.

Social Responsibility to Be Fulfilled as a Company

Preventing the Spread of Infection

To prevent the novel coronavirus infection from spreading, we have established guidelines for infection prevention regarding our daily operations. By promoting strict compliance with these guidelines, we take the greatest care to ensure that our employees, their families and our customers will not spread the infection.

Action Guidelines of the Suminoe Textile Group
 In response to the state-of-emergency declaration made by the Japanese government, each individual member of the Suminoe Textile Group pledges full cooperation in strictly refraining from going to other prefectures and avoiding the "three Cs" (Closed spaces, Crowded places, and Close contact settings). We will implement these pledges to protect Japanese society, our companies, ourselves and our families.

Major infection protection measures taken by the Group



Measures to allow employees to have flexible work styles (Staggering working hours and working from home)



Encourage workplace ventilation, washing hands, gargling, and disinfection

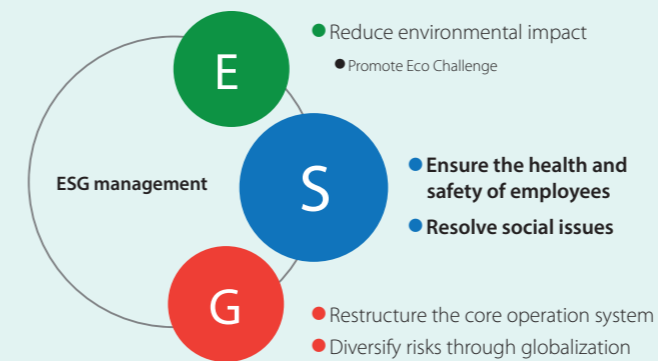


Avoid face-to-face meetings and business trips
 Promote remote conferencing (improvement of the network environment)



Install acrylic plates on the desk

ESG Initiatives



- Ensure the health and safety of employees**
 - Implement infection prevention measures
 - Develop office environments
 - Measures to allow employees to have flexible work styles (Staggering working hours and working from home)
 - Promote workstyle reforms and operational improvement
 - Revise BCPs and risk manuals
 - Revise internal regulations
- Resolve social issues**
 - Develop products designed to resolve social issues and environmentally friendly products (Deodorant, antibacterial, and anti-virus products)
 - Respond to changes in social behavior and lifestyles (E-commerce business and web marketing)

Securing Stable Supply

With the worldwide spread of COVID-19, our global supply chain of raw materials was partly interrupted. However, we are able to continue stable supply of products with virtually no problem. This is because based on our past experiences, we can give customers appropriate explanations about changes in the supply chain, secure the required amounts of raw materials, supply products in a stable manner, and resolve quality problems.

Challenges to Be Addressed as a Company

Business Growth with ESG Management in Mind

Ever since more than four decades ago, the Group has focused on the development of environmentally friendly products and initiatives. The Suminoe Textile Group "SUMINOE Environmental Declaration" announced in 1998 sets forth the Group's commitment to environmental protection regarding its products and production processes, in keeping with the philosophy of "KKR+A (Kenko [Health], Kankyo [Environment], Recycle and Amenity). The underlying concept behind this attitude was that environmental protection would be the important theme for the global environment during the 21st century. Nowadays the importance of initiatives taken by companies for society is also

highlighted by an external factor, i.e., the novel coronavirus pandemic. Corporate initiatives for society and for the environment are similarly important in pursuing ESG practices and the SDGs. We will strive for management and business growth while being well aware of such importance.

New Sense of Values

Creating Value in Response to Changes in Society

Now that risk of infection lurks everywhere in our daily lives, our corporate behavior and way of thinking have drastically changed. In the New Normal, which is considered to last for a while in the future, we will further expand our existing products featuring antibacterial and anti-virus functions, such as curtains, carpets and carpet tiles. These products were already on the market before the COVID-19 pandemic. We will also accelerate the Group's environmental philosophy "KKR+A" and promote initiatives for society in order to "create new value" that is required by society. Through such efforts, we aim to grow as a company capable of dealing with changing values that are sought after by the market in the age of coexisting with the coronavirus and in the post-COVID 19 world.



Hitoshi Iida
 Representative Senior Managing Director
 Suminoe Textile Co., Ltd.

Chapter 02 Building Sustainable Trust between the Company and Its Employees

Workstyle Reforms for Living with the Novel Coronavirus

I consider it a duty of the Human Resources Department to create a working environment where employees can maximize their performance. During the COVID-19 crisis, it is important to establish the environment needed to continue business operations with top priority given to employees' safety. Even in the post-coronavirus period, we will continue to utilize new options, such as online meetings, training and interviews, which have become prevalent due to the pandemic, and apply work-from-home guidelines.

Katsuya Kawai
Director, Human Resources
Department
Suminoe Textile Co., Ltd.



Continuing to Utilize New Options

In the age of living with the coronavirus, working from home has become commonplace. It is therefore necessary for the Information Management Department to promote online applications and digitization. To begin with, we are now working to create an environment to encourage the widespread use of communication tools across the Company. In the future, we are going to establish a system foundation that can cope with various changes in consideration of the convenience, security and costs.

Ryoichi Kusano
General Manager, Information
Systems Department
Suminoe Textile Co., Ltd.



Establishing a System Foundation

The COVID-19 pandemic is yet to subside. The Company must continue to pursue an "organization where employees can feel job satisfaction" and a "flexible and resilient organization that can survive society" in the age of living with the coronavirus as well as the post-COVID-19 period. The key to growth of the Suminoe Textile Group lies in whether or not we can advance workstyle reforms while adapting to the New Normal.

The Key to Growth Is to Advance Workstyle Reforms

Tsuyoshi Miyake
General Manager,
CSR Promotion Department
Suminoe Textile Co., Ltd.



Paving the Way for a Flexible Working Style



Fuzuki Hattori
Design Department
Suminoe Teijin Techno
Co., Ltd.

I do my work while referencing the real color samples and prototypes. As such, initially I could not complete my job only with my personal computer, so working from home was inefficient for me. However, now I am finding a better way to proceed with my work from home by setting a firm schedule. I believe that the recent pandemic has paved the way for a flexible working style.

Proactive Review of Our Conventional Business Procedures



Keisuke Ryu
Traffic Sales Department
Suminoe Textile Co., Ltd.

Under the impact of the COVID-19 pandemic, our working styles are rapidly changing. Through staggered working hours and working from home, all the members of our department were encouraged to proactively review our conventional business procedures. Moreover, since I worked from home while my child's school was closed, I was able to increase meaningful time with my family. I feel that I can maintain forward-looking attitudes, despite many difficulties due to inefficient work and limited going out.

Active Introduction of New Tools



Yuka Okamoto
Fabric Department
SUMINOE Co., Ltd.

My department actively introduced Internet fax (online or cloud-based fax) and new communication tools on the occasion of implementing the work-from-home system. I hope that the introduction of these tools and working from home will become widespread Group-wide. The ongoing pandemic has provided us with a good opportunity to review and improve not only the Company's initiatives but also individual employees' current business procedures in response to the changes in working styles.

Offering Products That Help Resolve Social Issues

Strengthening the Development of Antibacterial and Anti-Virus Products All business segments

The Suminoe Textile Group has worked on antibacterial processing technology for around 20 years. In the interior fittings business, we have marketed carpets and curtains developed by using CLEANSE®, a Kurabo Industries' antibacterial and anti-virus textile finishing technology, targeting medical, welfare and educational facilities since about a decade ago. We have also offered トリプルフレッシュデオ (TRIPLE FRESH DEO)*, which was developed based on our unique deodorant processing technology. トリプルフレッシュデオ (TRIPLE FRESH DEO) is characterized by not only a deodorant function but also the multiple functions of antibacterial, anti-virus and antiallergen activities. This technology has been

applied to nursing care bed mats and wheelchair cushions, both of which feature a deodorant function. By adding an anti-mite function to トリプルフレッシュデオ (TRIPLE FRESH DEO), we have also developed クインテック® (QUINTECH), which has been used in car mats. At present we are working to expand the lineup of our antibacterial and anti-virus products and propose interior materials for automobiles, trains, and buses. The Group will continue to develop processing technology suitable for each product, thereby evolving its businesses that protect people's safety and comfort.

* There may be restrictions depending on the intended use of the product and the required performance. Please contact the sales office for details.

CLEANSE® (Kurabo Industries Ltd.)



Curtains for medical, welfare and educational contracts

Bus curtains

トリプルフレッシュデオ (TRIPLE FRESH DEO), クインテック® (QUINTECH)



Mat for nursing care beds

Car mat

→ For details, see p.18.

Offering Services in Response to Changes in Lifestyles

Making Proposals for New Living Spaces through E-commerce Business and Web Marketing

SUMINOE Co., Ltd.

Recently, people's lifestyles have been changing, as exemplified by avoiding going out and teleworking. The Suminoe Textile Group will further strengthen its e-commerce business and web marketing in the interior fittings business to address social issues, thereby meeting new values and needs. In our e-commerce business, we will reinforce distribution channels so that customers can purchase products with peace of mind without going out. As for web marketing, we will focus on information dissemination via social media and presentations of new products through digital exhibitions. In this manner, we will continue to make proposals suited for new lifestyles.



Initiatives for Sales Promotion in Response to the New Normal Age RUNON CO., LTD.

Now it is difficult to conduct sales activities by meeting with customers in person as frequently as before. As a new means of sales promotion, we published videos that explain our products on a video distribution site. The moving images provide easier-to-understand explanations on differences between general and functional products, including water repellency, stretch property and other features of our wallpaper. Customers can view these videos repeatedly whenever they have time. These videos also can be used as learning tools for our employees. For this reason, we are planning to distribute the video content continuously.



Bajío region

Mexico



Global Expansion

Introduction of an Overseas Affiliate: Suminoe Textile de Mexico, S.A. de C.V.

In the automotive textile business, the Suminoe Textile Group has established 12 manufacturing and sales sites in six overseas countries to supply a total line of automotive textiles to customers around the world.

To satisfy customer needs, we deliver our products to customers in a speedy and stable manner by applying manufacturing and management expertise we have cultivated in Japan to overseas operation sites.

The respective global sites have also contributed to economic development and job creation in their local communities.

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

STM is a manufacturing factory of car mats, set up as a 100%-owned subsidiary of Suminoe Textile of America Corp in 2013 in Irapuato City, the state of Guanajuato, located in central Mexico. The automobile industry has been growing its presence in Mexico as an export base for North America, also driven by the increasing domestic demand for automobiles. Under these circumstances, STM has come to handle automotive carpets and fabrics, in addition to car floor mats, expanding its scope of business as a company capable of supplying a total line of automotive textiles—which represents the key feature of the Suminoe Textile Group.

In 2019, STM obtained IATF16949/ISO 9001 certification and introduced its second needle punching machine. In other words, the company strengthened its management and production systems at the same time to hone competitiveness. STM has been constantly growing as an operation site that plays an important role in promoting the global strategy of the Suminoe Textile Group.

STM employs 233 people, with female employees accounting for nearly 60%. Among all employees, about 80% are those in their 10s to 30s. STM is a vibrant company characterized by such a high percentage of young employees. All employees of the company will cheerfully work as a team to supply even higher quality products to the expanding market in a more stable manner while focusing on low-cost production.



Cheerful and Generous National Character

The Bajío region, which is home to STM, is located between the United States and South America. With many automobile manufacturers advanced from various countries since olden days, the region is very tolerant toward people from other countries. Most Mexican people believe in Christianity (Marianism) and take particular care of their mothers. In general, Mexican people are cheerful and generous but work seriously. Probably because of fewer national holidays than other countries, many Mexican employees spend holidays with their families. In fact, you can frequently see them enjoying a fiesta (party) with their relatives and friends in the garden at a residence where many Japanese employees dispatched to Mexico live. Local employees attach importance to their family time on holidays, while they work very hard on weekdays.

Communication within the Company and with the Local Community (Social Contribution)

Besides weekly company-wide meetings, STM has established a basic system for voluntarily holding various meetings to discuss development progress, quality control, production planning and other subjects. Even under the impact of the COVID-19 pandemic as described later, the company strives to ensure that employees can continue smooth operations by actively holding web meetings. Also, various in-house events, such as a Christmas party and a costume contest on the Days of the Dead, are instrumental in promoting communication among employees. As a community-based company, STM has been vigorous in promoting communication with the local

community. This fiscal year, the company participated in an event in which violent toys (e.g., toy guns) brought by children were exchanged for less violent alternatives. In Mexico, it is not difficult to purchase guns illegally. For this reason, the above kinds of events are often held to prevent children from playing with toy guns and feeling familiar with guns. STM donated kites, Frisbees and yo-yos, and employees gave rubber balls at the event. On the day of the event, STM employees directly handed these toys to children and felt pleased to see many children smiling.

Impact of the Novel Coronavirus Pandemic and Infection Prevention Measures

The novel coronavirus has raged fiercely in Mexico as well. Partly due to the insufficient medical system, the country's numbers of infections and deaths are among the highest in the world. To ensure the safety of employees, STM stopped operating the plant in April and May. Before resuming operations, the plant was instructed by the Mexican government to take strict prevention measures and had to undergo inspections. In response, STM implemented measures to secure commuting routes and establish working systems to enable employees to maintain social distancing, distribute personal protective equipment (PPE) to employees, provide workplaces with disinfectants, and raise employees' infection prevention awareness. As a result, the company was able to safely resume its plant operations in June. Although there is still no end to the pandemic in sight and people's daily lives are restricted, STM continues to take great care to prevent the spread of infection among employees and their families.



Social contribution activity in November 2019
"Canje de Juguetes Bélicos" (Event for exchanging violent toys, organized by Irapuato City)
The company and its employees donated rubber balls and other toys, which were handed to children in exchange for their toy guns etc., which have a violent image.



Costume contest on the Days of the Dead
The Days of the Dead (November 1 and 2) may be likened to the Bon festival in Japan. Various events are held throughout Mexico, and people disguise themselves for the Day of the Dead, for instance, by wearing skull masks. As part of its effort to facilitate in-house communication, STM held a costume contest. (The photo was taken in November 2019.)



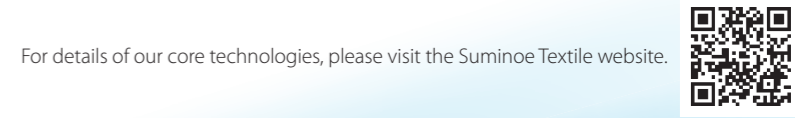
Home to the largest number of the world heritage-listed sites in Central and South America
The World Heritage of "Historic Town of Guanajuato" against the blue sky in Mexico. The site is a 45-minute drive from the city of Irapuato, where STM is located.

Shohei Yamamoto Joined the Company in 2008



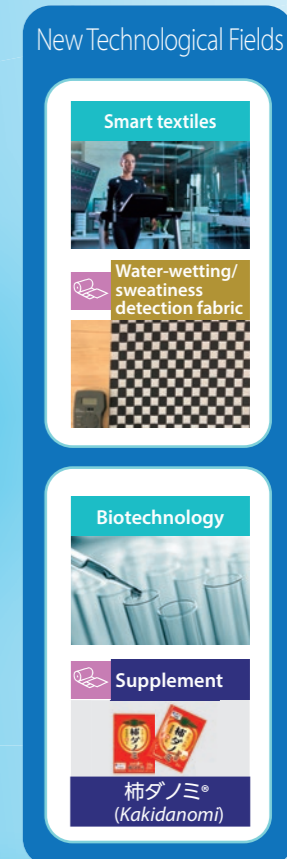
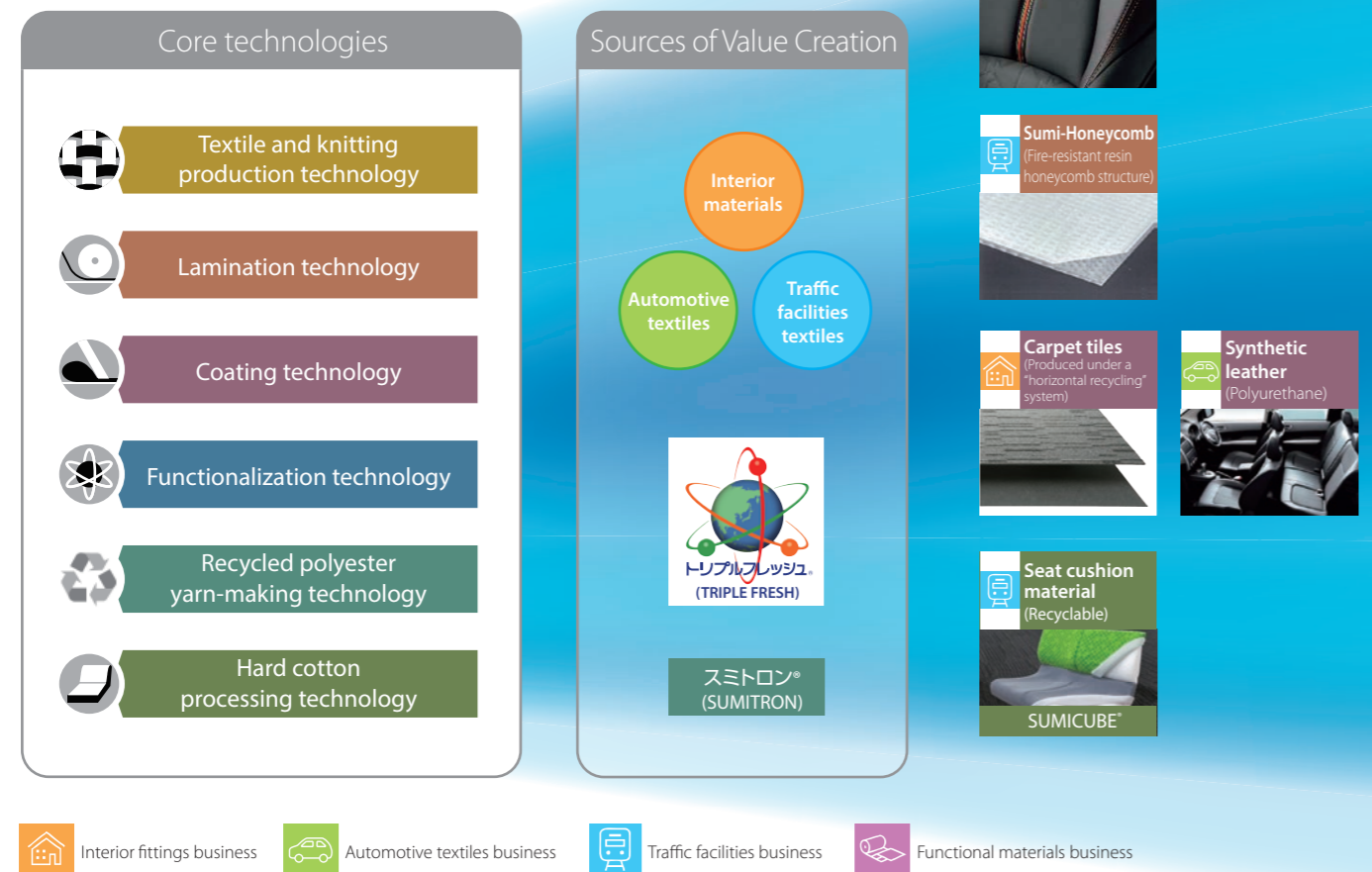
In August 2019, I took up my new post here at STM. As a salesperson, I am serving as a liaison with customers, primarily Japanese manufacturers. Now global supply of the same quality products is taken for granted. We are therefore required to establish systems for manufacturing high-quality, cost-competitive products and supplying them to local manufacturers, amid the shrinking of the market resulting from the COVID-19 pandemic. It is the first time for me to work at an overseas affiliate, and I am struggling every day to improve myself here in Mexico, where Japanese common sense does not apply. I am often bewildered by the gaps between the two countries in terms of both work and daily life. However, even in such a situation, I believe that I am gradually learning about the pleasure and hardness of working overseas in the course of communicating with local residents and customers.

Suminoe Textile Group's Core Technologies and Expanding Product, Business and Market Fields



Creating a Synergy by Integrating Technologies of the Group

Based on our core technologies, we will refine unique technologies to create high-value products, keeping pace with various changes.



From Manufacturing to Value Creation

We consider that it is our corporate responsibility to contribute to society by creating innovative technologies and highly functional products through our manufacturing activities. We are committed to manufacturing higher value products by anticipating and satisfying the needs of our customers both at home and abroad.

To this end, we are not only utilizing our Group's traditional technology and production but also making efforts to advance into new fields through cooperation with companies from other business fields as well as with universities and research institutions.

Manufacturing = Technology × Quality

Basic Policy for Quality Management

We strive to maintain and improve our product and service quality on a continuous basis so as to meet customer needs, aiming to enhance customer satisfaction.

Status of Acquisition of External Certifications for Quality Management System

Organization	
ISO9001:2015	Suminoe Techno Co., Ltd. Nara Factory Including Suminoe Techno Co., Ltd. Shiga Factory and Suminoe Logistics Co. Ltd. Nara Center
	Suminoe Teijin Techno Co., Ltd.
	Teijin Tecloth Ltd.
	Owari Seisen Co., Ltd.
	Suzhou Suminoe Textiles Co., Ltd.
	Suminoe Textile of America Corporation
	Suminoe Textile de Mexico, S.A. de C.V.
JIS Q 9100:2016	Suminoe Textile Co., Ltd. (Functional Materials Business Division, Osaka First Sales Department and Quality Assurance Department)
IATF16949:2016	Suzhou Suminoe Koide Automotive Accessories Co., Ltd.
	T.C.H. Suminoe Co., Ltd.
	SPM Automotive Textile Co., Ltd.
JIS Q 17025	Bondtex, Inc.
	Suminoe Textile de Mexico, S.A. de C.V.
	Kansai Laboratory Co., Ltd. (Osaka Laboratory)
	Kansai Laboratory Co., Ltd. (Nara Laboratory)

Overview and Growth Strategies of Each Business Segment

Automotive Textiles Business

Suminoe Textile Co., Ltd., Suminoe Teijin Techno Co., Ltd., Teijin Teclath Ltd., Owari Seisen Co., Ltd., Suminoe Techno Co., Ltd., Suminoe Textile of America Corporation, Bondtex, Inc., Suminoe Textile de Mexico, S.A. de C.V., SPM Automotive Textile Co., Ltd. (Guangzhou), Suzhou Suminoe Koide Automotive Accessories Co., Ltd., Suminoe Textile Shanghai Co., Ltd., T.C.H. Suminoe Co., Ltd., Suminoe Koide (Thailand) Co., Ltd., PT. Sinar Suminoe Indonesia, PT. Suminoe Surya Techno, Suminoe Teijin Techno Krishna India Pvt. Ltd.

Creating a globally optimized supply system for automotive textiles

Business Overview

The greatest feature of our Company is that we can supply a total line of automotive textiles, from floors to ceilings, including headliners, seat covering materials, car mats, and floor carpets. Outside Japan, the Suminoe Textile Group has now expanded its overseas presence by setting up 12 manufacturing and sales sites in six countries (the United States, Mexico, China, Thailand, Indonesia, and India), thereby creating a globally optimized supply system.

Advantages

- 1 Expertise in proposing optimal solutions as a total supplier of automotive textiles
- 2 Global manufacturing system that enables production at optimal sites
- 3 Development capabilities to expand the fields of new materials and conventional textile products
- 4 Sophisticated textile processing technologies and planning and design capabilities
- 5 Comprehensive strength based on integrated expertise of the interior fittings and automotive textile businesses

Identified Issues

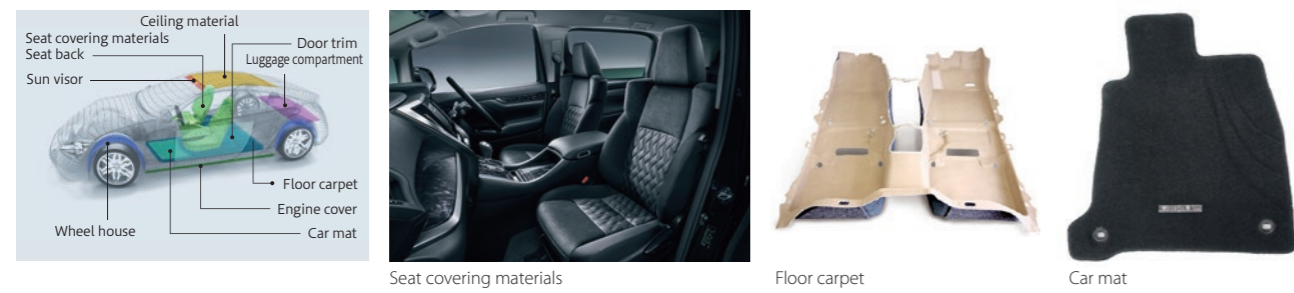
- 1 Response to the transformation of the automobile industry
- 2 Responsibility for supplying products even in the event of a disaster based on BCPs
- 3 Response to global risks
- 4 Global contraction of demand for automobiles
- 5 Business management to securely capture new markets in line with the SDGs and ESG

Policy and Growth Strategy

Overcome the difficult situations and cultivate a new market using our organizational strength in response to changes.

- 1 Expand the markets for new products and new components.
- 2 Improve quality, cost competitiveness, and delivery systems (QCD).
- 3 Promote initiatives to help achieve the SDGs (environmentally friendly products).
- 4 Make effective use of systems (restructure the core information system).
- 5 Develop human resources (strengthen our response to globalization).

Major Product Lineup



Topics

Under the slogan of "Intelligent Interior 2.0," proposing new car interior design by leveraging the Group's comprehensive strength



The automotive industry is currently experiencing a once-in-a-century transformation, where the ways cars are used are significantly changing, as exemplified by the emergence of autonomous driving technology and car-sharing. In particular, autonomous driving technology is considered to turn a car as a mere means of transportation to a third living space that is comparable to one's home or workplace. The Suminoe Textile Group has therefore started to propose new car interior design to automobile manufacturers, under the slogan of "Intelligent Interior 2.0" through collaboration among designers from the automotive, traffic facilities, and interior fittings businesses.

The Group has been accumulating know-how about various types of interior textiles for building interior, cars and public transportation facilities. We are also able to deal with all kinds of interior materials, including carpets, curtains, seat fabric, ceiling

materials and flooring. Furthermore, we can make new design proposals by reusing and reconstructing our in-house resources that have been developed by individual segments. We have earned a favorable reputation for these new design proposals that only our Group can offer. Meanwhile, since car-sharing is a service to be used by a large number of unspecified individuals, automotive textiles used for the service must have ease of maintenance, not to mention lightweight, noise-absorbing and other conventional properties. In this respect, the Group can also meet such requirements by taking advantage of its expertise cultivated through producing interior materials for trains and buses.

We expect that as autonomous driving technology and car-sharing come into widespread use while changing the quality of automotive textiles, the Group's business will achieve further development.

Delivery Track Records (Progress in Value Creation)



Highly functional carpet mats treated with multifunctional processing adopted for Daihatsu ROCKY and Toyota RAIZE

Daihatsu Motor Co., Ltd. has announced its new direction: to focus on the compact car segment. Jointly with Toyota Motor Corporation, Daihatsu developed new compact SUV models, for which our carpet mats were adopted. At the outset, the customer required us to develop carpet mats not only with excellent design but also "reliable functionality." We therefore made a proposal placing the greatest emphasis on the Company's strong point, i.e., our トリプルフレッシュ® (TRIPLE FRESH) deodorization technology plus other useful functions. To be more specific, we suggested the idea of enhancing the conventional トリプルフレッシュ® (TRIPLE FRESH), which has been used in many interior fittings and automotive textiles, by adding anti-virus, antibacterial, anti-allergen, and anti-mite functions. As a result, the customer decided to adopt our products. We are planning to develop this multi-functional processing technology as a new key product following トリプルフレッシュ® (TRIPLE FRESH).



Hiromasa Ito
Osaka Automotive Accessories Department
Suminoe Textile Co., Ltd.

From the development stage, we were required to create highly functional and high-grade mats. To meet the customer specifications, we worked to make prototypes with considerable difficulty in cutting, sewing and bringing the components nearer to perfection. However, through repeated adjustments with the production plant, we were finally able to achieve the texture corresponding to high functions and receive high evaluation from the customer. After Toyota Motor Corporation launched the new RAIZE, the car's cumulative sales volume ranked top in the first half (January to June) of 2020. We will continue to improve our skills to supply products with a quality that goes beyond customer expectations, in cooperation with automotive accessories departments of Tokyo and Osaka and the design department.



Mayumi Ozawa
Functional Processing and Development Group
Development Department
Technical Center
Suminoe Textile Co., Ltd.

The multi-functional processing technology that was employed this time features five functions, developed based on トリプルフレッシュ® (TRIPLE FRESH) by applying our original compounding technique and evaluation technology. At the development phase, it took a lot of trial and error to select suitable raw materials for the functional agents that enable each function to effectively work without damaging the carpet texture, determine their optimal additive amounts, and consider how to better demonstrate the functions and performance of the technology. By emphasizing its appealing features to the customer, we managed to succeed in its commercialization. In the future we will continue to work on product development so that we can propose technology with functions that make interior environments clean and comfortable.

Overview and Growth Strategies of Each Business Segment

Interior Fittings Business

Suminoe Textile Co., Ltd., SUMINOE Co., Ltd., RUNON Co., Ltd., Suminoe Logistics Co., Ltd., Suminoe Works Co., Ltd., Sewing Hyogo Co., Ltd., TANGO TEXTILE Co., Ltd., Suminoe Techno Co., Ltd.

Exhibiting our unique technological development capabilities to create environmentally friendly products at the industry's top level

Business Overview

The Suminoe Textile Group provides a wide variety of interior products that feature both excellent design and functionality to public facilities, hotels, schools, hospitals, and office buildings, as well as for general households. We are also committed to developing eco-friendly products under the theme of KKR+A, or Kenko (Health), Kankyo (Environment), Recycle and Amenity.

Advantages

- 1 Preserving traditional techniques and handing them down to future generations (arts and crafts, hand-woven carpets and hooked rugs, and plush hand-woven curtains)
- 2 Credibility based on track record of delivering products to renowned facilities
- 3 Exceptional skills to meet customer needs through trinity of merchandizing, design and sales staff
- 4 Sales promotion targeting customers and design offices by sharing information between Group companies
- 5 Strong lineup of high value-added products based on the philosophy of environmental protection

Identified Issues

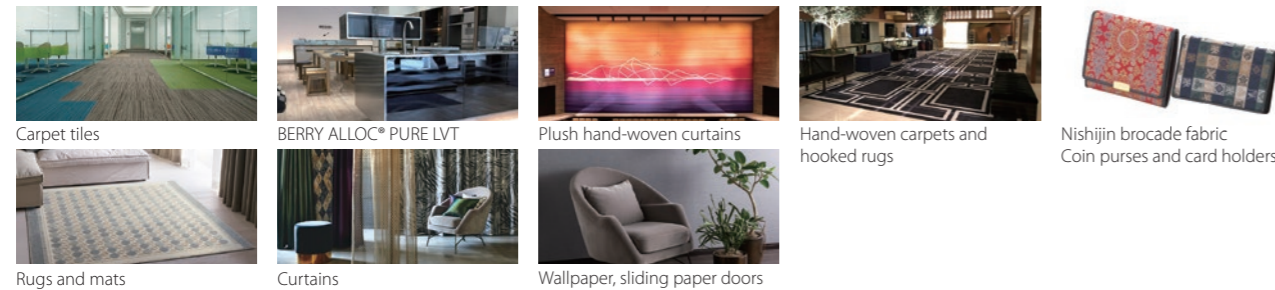
- 1 Declining private demand and shrinking market size
- 2 Measures to deal with rising logistics costs
- 3 Shortage of interior finish technicians and problems regarding succession of the techniques
- 4 Discerning the market trends in accordance with changes in sales channels
- 5 Product lineups as a comprehensive interior manufacturer

Policy and Growth Strategy

Expand sales of environmentally friendly products and realize optimal product lineups to fulfill our roles as a manufacturer, and increase revenues.

- 1 Attempt to open up new routes.
- 2 Reinforce web marketing.
- 3 Optimize procurement.
- 4 Strengthen the "development and sales category" for design of small and medium-sized facilities and store design.
- 5 Augment eco-friendly products for ESG, based on the KKR+A philosophy.

Major Product Lineup

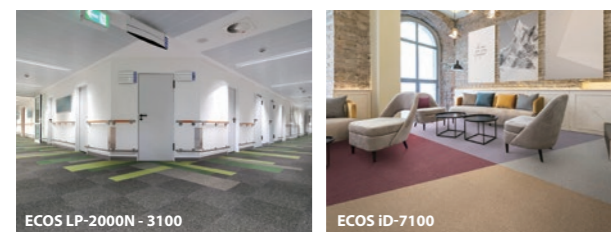


Delivery Track Records (Progress in Value Creation)



Topics

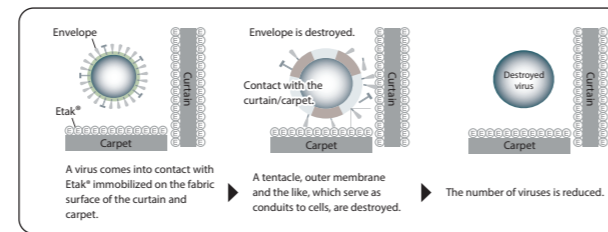
Launch of three series of ECOS® Recycled Carpet Tiles Produced Using Horizontal Recycling Technology —ECOS LP-2000N, ECOS LP-3100, and ECOS iD-7100



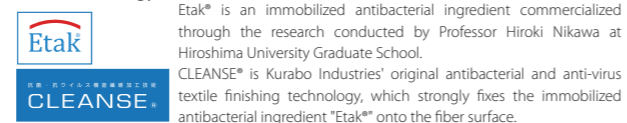
All these new products use solution-dyed nylon yarn for piles. As compared with products produced with the continuous dyeing method, these new products are superior in terms of color fastness to light, color fastness to rubbing, chemical resistance, and yellowing resistance to NOx. They can also save water and materials and require less dyeing effluent treatment. Furthermore, similarly to the conventional series, the newly added ECOS® series only use waste carpet tiles as recycled materials for the backing material. In this manner, while securing safety by controlling the origin of materials in a visible manner, we have realized both waste reduction and resource recycling. ECOS® has also achieved the same quality and cost performance level as virgin tiles, using the recycling system in consideration of ESG. Going forward, the Suminoe Textile Group remains committed to contributing to the realization of a sustainable society by offering ECOS®.

Topics

Enhancing a lineup of products that decrease the number of specific viruses on the fiber surface with the addition of "antibacterial and anti-virus" functions

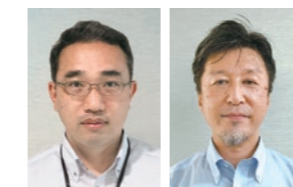


Viruses are lurking in our everyday life. It is important to constantly take anti-virus measures, such as washing hands, gargling, and wearing a mask. In addition, to have safe and comfortable lives, applying anti-virus finishing technology to interior materials is expected to reduce the risk. CLEANSE® is an antibacterial and anti-virus textile finishing technology using "Etak®," which was commercialized through research by a Doctor of Medical Dentistry. The immobilized antibacterial ingredient "Etak®" is strongly fixed onto the fiber surface. In collaboration with Kurabo Industries Ltd., SUMINOE has produced anti-virus curtains and carpets by applying this technology.



Many hand-tufted carpets and Wilton carpets adopted at The Okura Tokyo

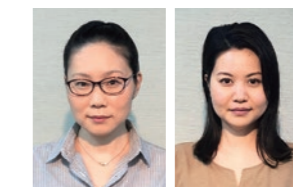
The Hotel Okura Tokyo, which had been rebuilt since 2015, marked its grand opening as "The Okura Tokyo" on September 12, 2019. The Okura Tokyo comprises two distinctly branded wings: the Okura Heritage, which is restrained and elegant, and the Okura Prestige, a high-quality, contemporary urban hotel. We were pleased that the Okura Tokyo adopted many carpets of our Group. These carpets have been installed primarily in the guestrooms, corridors and restaurants of the Okura Heritage Wing, as well as the lobby, entrance and banquet rooms of the Okura Prestige Tower. In particular, the hand-tufted carpet with checkerboard patterns laid on the floor of the lobby, which features the traditional design taken over from the main building, enjoys great popularity among guests from home and abroad.



Kenji Kido Chiaki Matsuda
The Second Block
East Japan Branch, SUMINOE Co., Ltd.

Since the customer, Hotel Okura, has a profound knowledge about carpets, our project members undertook the task while studying the past designs and traditional patterns. To fulfill many orders received for our products to embellish major interior spaces of the hotel, we delivered and installed custom-made hand-tufted carpets and Wilton carpets, among other things.

We are proud to have been able to complete our task through combined efforts of the entire SUMINOE Group—including the Design Department, Suminoe Works, Tango Textile and cooperative factories in Japan—and to have been involved in this project for Japan's most sophisticated hotel.



Miho Akahori Saori Ichikawa
Design Department, SUMINOE Co., Ltd.

We worked on this project for approximately two years, from the design meetings to product installation. Our company was in charge of about 30 areas, and four design offices took part in the project. For this reason, two of us were assigned to arrange design-related matters.

We closely consulted with the respective designers in charge by holding many meetings, and produced many prototypes. Then we were finally able to see the delivered carpets, which moved us very deeply. It was a great honor for us to be engaged in the rebuilding work of the Hotel Okura, which is a high-class hotel attracting a great deal of attention in the industry.

Overview and Growth Strategies of Each Business Segment

Traffic Facilities Business Suminoe Textile Co., Ltd., Marunaka Souei Co., Ltd., Suminoe Techno Co., Ltd.

Contributing to Creating Safe and Comfortable Train Cars

Business Overview

We have supplied our products to JR, private railways and publicly operated transportation services, maintaining the top market share for more than a century.

Currently, the Suminoe Textile Group offers total proposals for seat coverings, curtains, wall materials, flooring materials and other interior materials for public transportation systems, such as Shinkansen bullet trains and other trains, buses, and ships. We also deliver environmentally friendly products, including SUMICUBE® seat cushion material, which excels in terms of both safety and environmental performance.

Advantages

- 1 The industry's top market share held for more than a century
- 2 120 year-long credibility and track record as a pioneer of the industry
- 3 Capability to offer total proposals for seat coverings, curtains, wall materials, flooring materials and other interior materials
- 4 Environmentally friendly products with excellent safety performance (SUMICUBE® seat cushion material)
- 5 Wide sales network established across Japan

Identified Issues

- 1 Decreasing numbers of procurement networks and production sites in Japan
- 2 Shortage of human resources who carry on traditional techniques
- 3 Enhancing our brand value
- 4 Improving product added value
- 5 Strengthening our competitiveness by establishing differentiated products

Policy and Growth Strategy

Win success through the combination of logic and passion.

- 1 Augment functional products for trains, and expand sales by heightening the appeal of our products (development of lightweight and highly functional moquette).
- 2 Expand our market share by strengthening sales in the bus category.
- 3 Expand sales of products for improvement of vehicle safety (floor signage film).
- 4 Restructure our production system (introduction of a new production system).
- 5 Promote sustainability (strike a balance between economy and environment).

Major Product Lineup



Topics

Seat cushion materials for train cars "SUMICUBE®/ hybrid cushion material" adopted for the new 7000 series vehicles for the new transportation system (Astram Line) operated by Hiroshima Rapid Transit



The new 7000 series vehicles for the new transportation system (Astram Line) of Hiroshima Rapid Transit went into operation on March 26, 2020. These new train cars are designed to offer novelty while taking over the image and symbol colors of the previous models. The seats of these cars use a hybrid cushion material, which is created by combining SUMICUBE® and the new resin spring material SUMICUBE AIR. The hybrid cushion material is safer, more breathable, more durable, and more comfortable to sit on.

SUMICUBE® is made from safe materials that do not generate cyanide or other poisonous gases when combusted. This eco-friendly product that does not cause air pollution is widely used in train cars all across Japan.

Topics

Moquette seat coverings designed in the image of the SDGs adopted for the E235 Series "SDGs Wrapping Train" for the Yamanote Line



From October 2019 to the end of January 2020, as part of its efforts toward achieving the Sustainable Development Goals (SDGs), East Japan Railway Company (JR East) operated the "SDGs Wrapping Train" (E235 series single-car train), which was wrapped in SDGs logos, on the Yamanote Line. The E235 series railcar for the Yamanote Line improved environmental performance by curbing power consumption and using LED lighting. The Suminoe Textile Group is also promoting its SDGs initiatives. Fully understanding the significance of the social significance of operating the train, we offered seat coverings designed in the image of the 17 SDGs. In return for our cooperation, JR East presented us with a commemorative item.

Delivery Track Records (Progress in Value Creation)



Our interior materials adopted for the "Saphir ODORIKO" sightseeing limited express train by JR East Japan

The "Saphir ODORIKO" sightseeing limited express that connects Tokyo and Izu has been in commercial operation since March 14, 2020. The Saphir ODORIKO, a new train replacing its predecessor for the first time in 30 years, features JR East's first ever Premium Green seats. The Premium Green Car represents the operator's desire to provide passengers with a refined, high-quality, and elegant journey. All the train cars, including Green Cars with private compartments and a cafeteria car with an open-kitchen, have skylights, allowing passengers to experience a sense of openness and comfort. Moreover, barrier-free facilities and storage areas for large luggage are equipped to provide passenger services caring about the slightest details.

The total car design was supervised by KEN OKUYAMA DESIGN, a renowned industrial design company. These train cars have employed the seat covering materials, curtains, hand-tufted carpets, and Wilton carpets of Suminoe Textile Co., Ltd. "Saphir" is the French word for sapphire, a precious gemstone. As its name suggests, the Saphir ODORIKO is highlighted by train cars whose attractive design fully evokes images of the beautiful sapphire-esque Izu sea and a brilliant blue sky.



Shuta Muraoka
Tokyo Traffic Sales Group
Traffic Sales Department
Suminoe Textile Co., Ltd.

We worked on the development of interior materials for Green Car seating throughout the train, which comprises the Premium Green Car, the Green Cars with private compartments, and the conventional Green Cars.

To realize both a high-grade texture and quality that conform to the train concept, we held many discussions and produced many prototypes, which earned high praise from the customer, resulting in the adoption of our products.

It is delightful that I can help passengers enjoy a journey on the Saphir ODORIKO through offering its interior materials. At the same time, I am determined to continue striving for the development of products that meet customer demand.

Mr. Hideaki Amanuma
Rolling Stock Technology
Center
Transport & Rolling Stock
Department
East Japan Railway Company

The Saphir ODORIKO train was introduced with the purpose of providing passengers with a sophisticated journey experience. The materials used for train cars must be durable and burn-resistant. These materials are also required to achieve a tasteful design compatible with the texture, both of which are in line with the railcar concept. In this project, Suminoe Textile Co., Ltd. greatly supported us in completing the Saphir ODORIKO by offering a wide variety of materials for seat and sofa coverings, fabrics and carpets, which passengers actually see and touch.

Overview and Growth Strategies of Each Business Segment

Functional Materials Business Suminoe Textile Co., Ltd., Owari Seisen Co., Ltd., Suminoe Techno Co., Ltd., Suzhou Suminoe Textiles Co., Ltd., Suminoe Textile Vietnam Co., Ltd.

Delivering products that incorporate our unique technologies and offering value in new fields

Business Overview

The Suminoe Textile Group has delivered products that incorporate its unique technologies it has accumulated, such as トリプルフレッシュ® (TRIPLE FRESH) deodorizing filters and olefin bathroom flooring. In addition, the Group is pursuing endless business possibilities, offering new value in the fields of smart textiles and functional food based on biotechnology, in keeping with the theme of KKR+A, or Kenko (Health), Kankyo (Environment), Recycle and Amenity.

Advantages

- 1 Expanding business fields transcending the boundaries of our traditional business segments
- 2 System to promote the development of diverse applications
- 3 Effective use of functional processing technologies, including our proprietary deodorant treatment technology
- 4 Promoting the development of products that satisfy customer needs, paying attention to fine details
- 5 Providing reliable products through stringent quality management endorsed by obtaining JIS Q 9100 certification, a quality management system standard for the aerospace industry

Identified Issues

- 1 Dealing with matters related to overseas office reorganization
- 2 Preparation for and response to major social and economic changes
- 3 Quick response to changing customer needs
- 4 Development of products and their applications in accordance with the concepts of the SDGs and ESG
- 5 Development of our proprietary technologies following the principles of deodorant treatment technology

Policy and Growth Strategy

- Enhance business and product value and strengthen business development capabilities.
- 1 Optimize the production and supply system of the household appliance business.
 - 2 Develop new product applications, taking advantage of functional materials and processing technologies.
 - 3 Expand sales of deodorant treatment and other functional treatment products.
 - 4 Strengthen cooperation with the development department and reinforce the development and sales functions.
 - 5 Promote commercialization of smart textiles.

Major Product Lineup



Topics

Our deodorizing filter adopted for the Plasmacluster antibacterial deodorizer DY-S01 by Sharp Corporation



Our deodorant treatment technology トリプルフレッシュ®バイオ (TRIPLE FRESH BIO) was adopted as a deodorizing filter for Sharp's Plasmacluster antibacterial deodorizer DY-S01.

This product is equipped with Plasmacluster NEXT, which has increased the ion concentration to more than 50,000 plasma clusters/cm³. It also incorporates a photocatalyst deodorizing filter that decomposes the absorbed odors with high efficiency. Even after ten years, the filter can maintain 94% of its deodorizing performance. These two features have enhanced the disinfecting and deodorizing effects of the products.

In recent years, more and more odor problems have arisen in our daily lives, along with increasing numbers of pets kept indoors, high airtight houses, and households with members in need of nursing care at home. Against such a social background, we will contribute to creating comfortable indoor air environments in accordance with various living settings.

Topics

Establishment of a new company in Vietnam Suminoe Textile Vietnam Co., Ltd.



Electric carpets constitute the core of our functional materials business. Currently, we have a production site of electric carpets in Suzhou, China. To further strengthen our production and supply system, we have established a new company in Vietnam. The new company is located in the Dong Van III Industrial Zone, Ha Nam Province, in northern Vietnam. It will be mainly engaged in production and sales of textile-based heating appliances (electric carpets and blankets, etc.). In the future, we are planning to expand the plant's role to include the development and production of health appliances as well as small appliances other than electric carpets and blankets.

Delivery Track Records (Progress in Value Creation)



Our flooring materials for TOTO's "SAZANA" bathroom unit have been revamped.

Since 2014, Suminoe Textile Co., Ltd. has supplied the flooring material for the Hokkarari Floor used in the bathroom unit "SAZANA" line of TOTO Ltd. The flooring material is characterized by the use of olefin, which makes it friendly to both people and the environment. Olefin comprises carbon (C), hydrogen (H) and oxygen (O) and does not emit toxic gas during burning. In conjunction with the full model changeover of the SAZANA series, a rug-like flooring material was launched in February 2020. Major changes from the previous material are found in the external appearance. We were entrusted to design a newly added brown version. Also, the embossed pattern on the surface was changed in size from 14 x 14 mm to 8 x 8 mm.

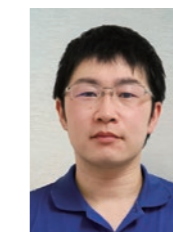
In meeting the requirements from TOTO Ltd., we worked not only to maintain strength and physical properties necessary for bathroom floors but also to reproduce various functionalities. The densely embossed surface is slip-resistant as it fits to the soles of the feet. The soft texture realized by olefin material offers a space with a sense of security. The entire floor surface is treated with special hydrophilicity. The floor is stain-resistant, and even if stained, it is easy to clean. It is also designed to dry completely by the next morning after bathing; water remaining on the surface can flow along grooves that are cut more finely. The new flooring material helps users enjoy a comfortable and relaxing time.



Kota Yokoyama
Osaka Second Sales Department
Functional Materials Business Division
Suminoe Textile Co., Ltd.

This full model changeover of the Hokkarari Floor was the first major task for me. I worked on prototype fabrication many times in collaboration with the Company's technological and production staff as well as members from related companies. Although there were plenty of challenges, I think I was able to produce a good product that satisfied the requirements from TOTO thanks to great support and contribution of all those involved.

Through this task, I learned a lot of lessons about the pleasure and pain of manufacturing as a maker. I would like to continue striving for good manufacturing by leveraging this experience.

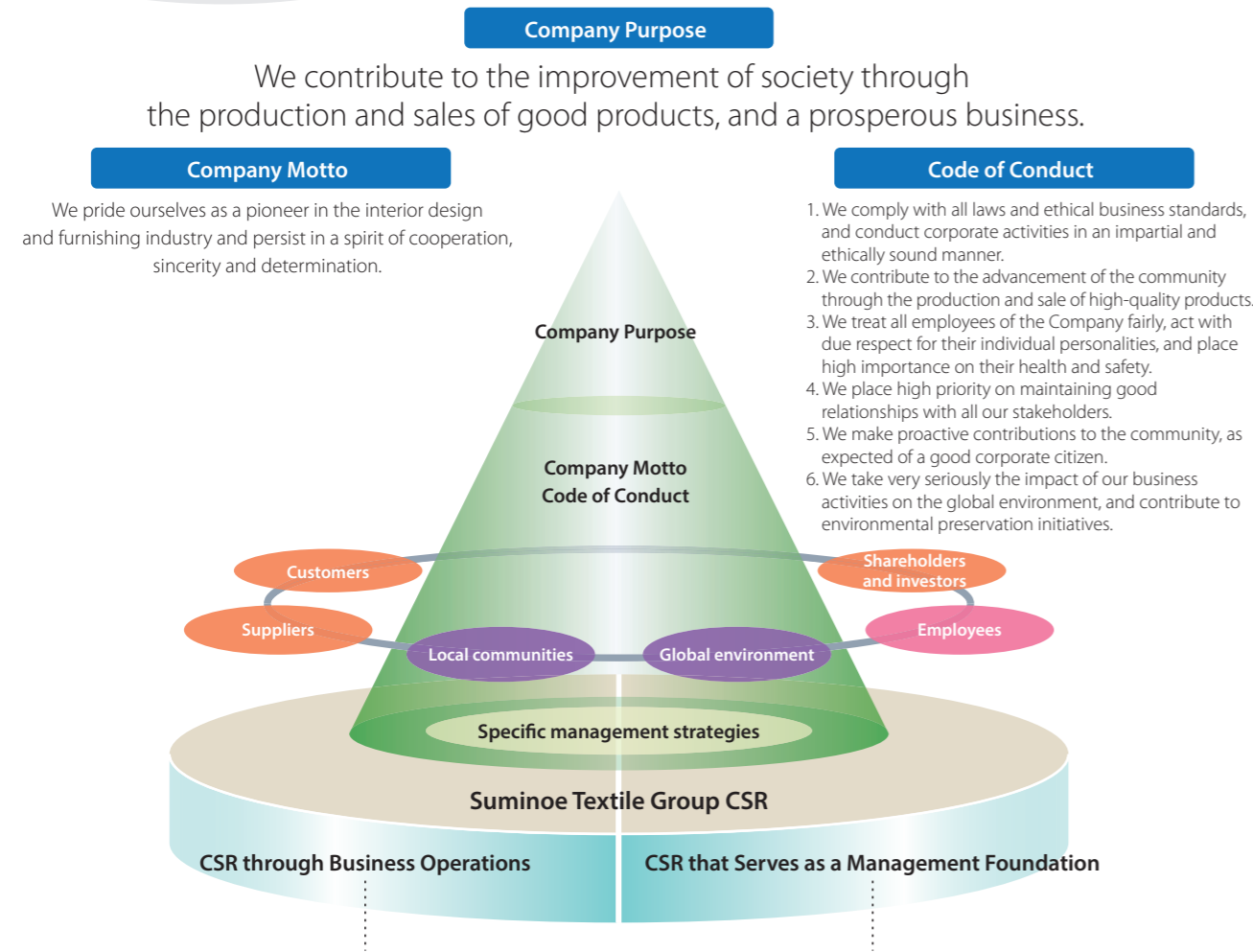


Naofumi Sumi
Processing Section,
Production Department
Nara Plant
Suminoe Techno Co., Ltd.

It was the most important mission I ever had because the full model changeover and in-house manufacturing of lamination in the production process were themes that could not fail. We worked out processing conditions from scratch, in order to realize fine embossing by multilayer sheet processing using heat lamination technology that the Company introduced for the first time, while also fulfilling the high quality requirements. Making prototypes by trial and error entailed constant efforts to accumulate and analyze huge amounts of data. Through these endeavors, we made a breakthrough, which led us to the successful commercialization. We are grateful to those who cooperated with us in this project. Aiming at stable production of even higher quality products, I will pursue further study.

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 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).

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."

CSR Plan

With ESG management in mind, the Suminoe Textile Group has identified its priority issues and formulated a CSR plan, with a central focus on the restructuring of corporate governance and the growth of business. Under the plan, we are working to reinforce our CSR initiatives. * For this fiscal year, we established the CSR plan on a single-year basis, although it had usually been formulated on a medium-term basis along with the medium-term management plan. The Group decided to postpone the announcement of its new medium-term management plan since it cannot foresee the end of the COVID-19 pandemic (as of October 1, 2020).

Seven SDGs on which the Suminoe Textile Group focuses

5 GENDER EQUALITY Achieve gender equality and empower all women and girls	7 AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern energy for all	8 DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
11 SUSTAINABLE CITIES AND COMMUNITIES Make cities and human settlements inclusive, safe, resilient and sustainable	12 RESPONSIBLE CONSUMPTION AND PRODUCTION Ensure sustainable consumption and production patterns	13 CLIMATE ACTION Take urgent action to combat climate change and its impacts	

CSR Plan (Period: June 2020 - May 2021)

ESG item	Priority issues	Measures (initiatives)	Related SDG(s)
G	1 Corporate governance	<ul style="list-style-type: none"> • Promote fair business activities • Internal control 	
G	2 Compliance	<ul style="list-style-type: none"> • Implement compliance training • Implement harassment prevention training • Risk management 	
G	3 Fair operating practices	<ul style="list-style-type: none"> • Administer education regarding the Subcontract Act • Promote procurement based on the Green Procurement Guidelines 	
G	4 Business continuity plan BCP	<ul style="list-style-type: none"> • BCP measures to be taken in the event of a disaster or pandemic 	
S	5 Human resource development and working styles	<ul style="list-style-type: none"> • Improve education and training programs • Develop global human resources • Respect diversity (women's empowerment and Senior Employees) • Work-life balance (workstyle reforms and encouraging male employees to take childcare leave) 	
S	6 Occupational health and safety	<ul style="list-style-type: none"> • Create a comfortable working environment (promote employees' health) • Correct the issue of long working hours and increase the use of paid leave • Prevent occupational accidents 	
E	7 Environmental impact reduction	<ul style="list-style-type: none"> • Prevent global warming (reduce CO₂ emissions) • Prevent environmental pollution • Develop environmentally friendly products • Eco Challenge 	

After specifying the issues that the Suminoe Textile Group should address, we have identified "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 as well as the SDGs. * ESG stands for Environmental, Social and Governance. Recently, the idea that these three aspects are necessary to achieve long-term growth has become widespread in the world.

Initiatives for CSR

Fiscal 2019 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 2019 are shown in the table below.

A: Accomplished B: Almost accomplished C: Not accomplished

CSR category	Related page	Priority item	Major theme	FY2019 targets	FY2019 results	Self-assessment	
Governance and compliance	P.29 ~32	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 nine times and meetings of the Board of Corporate Auditors nine times. Held meetings of the CSR Promotion Committee meetings four 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] The schedule was delayed due to the COVID-19 pandemic. 	B	
		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%] Held compliance workshops for manufacturing departments (Shiga Factory of Suminoe Techno, Teijin Teclath, and Owari Seisen). Read the Code of Conduct aloud in unison 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"> Conducted compliance audits in rotation. [Rate of plans implemented: 100%] Conducted compliance audits for overseas subsidiaries. 	A	
			Announce the Hotline to all employees.	<ul style="list-style-type: none"> Announce the Hotline to all new employees. Announce the Hotline to all employees on the occasion of training by level, harassment prevention training or workshops. [Target:100%] 	<ul style="list-style-type: none"> Announced the Hotline to all new employees. Announced the Hotline to all employees on the occasion of training by level, harassment prevention training and workshops. [Result:100%] 	A	
Operating practices	P.31	Fair transactions	Visualize the status of contracts and implement legal education and monitoring concerning business transactions.	<ul style="list-style-type: none"> Hold legal training programs and study meetings regarding the Subcontract Act, etc. Conduct internal audits. [Rate of plans implemented: 100%] 	<ul style="list-style-type: none"> Held study meetings, briefing sessions and awareness-raising activities regarding the Subcontract Act and response to the revision of the Japanese Civil Code. Conducted internal audits. [When on-site audits were not possible due to the COVID-19 pandemic, only document audits were conducted.] 	B	
	—	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.35 ~38	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. Implement measures to improve Senior Employees' satisfaction. Publicize the active roles played by Senior Employees through the CSR report. 	<ul style="list-style-type: none"> Did not achieve the legally required percentage of employees with disabilities. 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, increasing the use of paid leave, and encouraging male employees to take childcare leave). 	<ul style="list-style-type: none"> Created guidelines for working from home and a survey report on the situation of working from home as part of countermeasures against the COVID-19 pandemic. Promoted a work-life balance (by promoting no-overtime days and increasing the use of paid leave) 	B	
			Provide training sessions by level and by theme and improve the content of these sessions.	<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. Self-development training: Implemented the training on the themes "Critical Thinking" and "Service Innovation." 	A	
	Human Resource Development	P.35 ~38	Develop global human resources.	Provide prior training for employees who will leave for overseas duty.	<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). 	<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 each training program. Obtained certification from Osaka City as a Leading Company in Women's Participation. Obtained certification from Osaka Prefecture as a Men & Women Ikiki Plus Company. 	B
				Hold meeting to exchange information with employees who have experienced working overseas.	<ul style="list-style-type: none"> Hold meeting to exchange information with employees who have experienced working overseas. Distribute a crisis management guide. 	<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 each training program. Obtained certification from Osaka City as a Leading Company in Women's Participation. Obtained certification from Osaka Prefecture as a Men & Women Ikiki Plus Company. 	B
			Women's empowerment	Implement group training to help employees improve their skills and abilities.	<ul style="list-style-type: none"> Dispatch female employees to the Women's Empowerment Support Forum. Hold seminars intended for women. Implement round-table discussions between female employees and their role models (their seniors and female managers). Operate the Job Return System and promote the System among Group companies. 	<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 each training program. Obtained certification from Osaka City as a Leading Company in Women's Participation. Obtained certification from Osaka Prefecture as a Men & Women Ikiki Plus Company. 	B
				Revitalization of human resources	<ul style="list-style-type: none"> Implement "management by walking around." At each operation site, hold interviews with employees to promote communication with them. Hold lunchtime meetings. Implement measures to foster next-generation leaders. 	<ul style="list-style-type: none"> Management Meetings as part of "management by walking around" were not held at operation sites other than the Suminoe Textile Head Office after February because of the COVID-19 pandemic. Held lunchtime meetings and interviews with employees to promote communication with them. 	B
Safety, disaster prevention, and health	P.36	Occupational Health and Safety	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 2.00, falling short of the target. Regularly provided safety education. Implemented risk assessments (at the Shiga Factory and 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 implemented: 100%] 	<ul style="list-style-type: none"> Carried out disaster drills. [Rate of plans implemented: 100%] 	A	

CSR category	Related page	Priority item	Major theme	FY2019 targets	FY2019 results	Self-assessment
Safety, disaster prevention, and health	P.36	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 to employees who had not yet received the training. 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. Helped employees with flu vaccination expenses. 	B
Risk Management	P.33 ~34	BCP	Promote a business continuity plan (BCP) to be implemented in the event of emergency or disaster.	<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 improvement of the 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
				Intellectual property	Promote understanding of intellectual property.	<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%]
	Information security	—	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. 	<ul style="list-style-type: none"> Provided information security education using a DVD at training by level.
			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
Consumer issues / Social contribution management activities	P.15 ~16	Quality improvement	Promote quality improvement efforts.	<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
				Customer satisfaction improvement	—	Appropriately respond to customers and share customer service experience company-wide.
	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.
			External communications	—	Promote communication with Stakeholders (publicize the strength of the Company).	<ul style="list-style-type: none"> Engage in external communications. Enhance CSR and corporate branding initiatives.
Social contribution activities	P.39	Contribute to the local communities. Carry out social contribution activities relating to environmental protection.			<ul style="list-style-type: none"> Formulate a policy for social contribution activities. 	<ul style="list-style-type: none"> Continued local contribution activities and environmental protection activities. Willingly engaged with the local communities, and participated in activities for regional preservation and revitalization.
			Environment	P.40 ~45	Reduction of environmental impact from business activities	Prevention of global warming

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

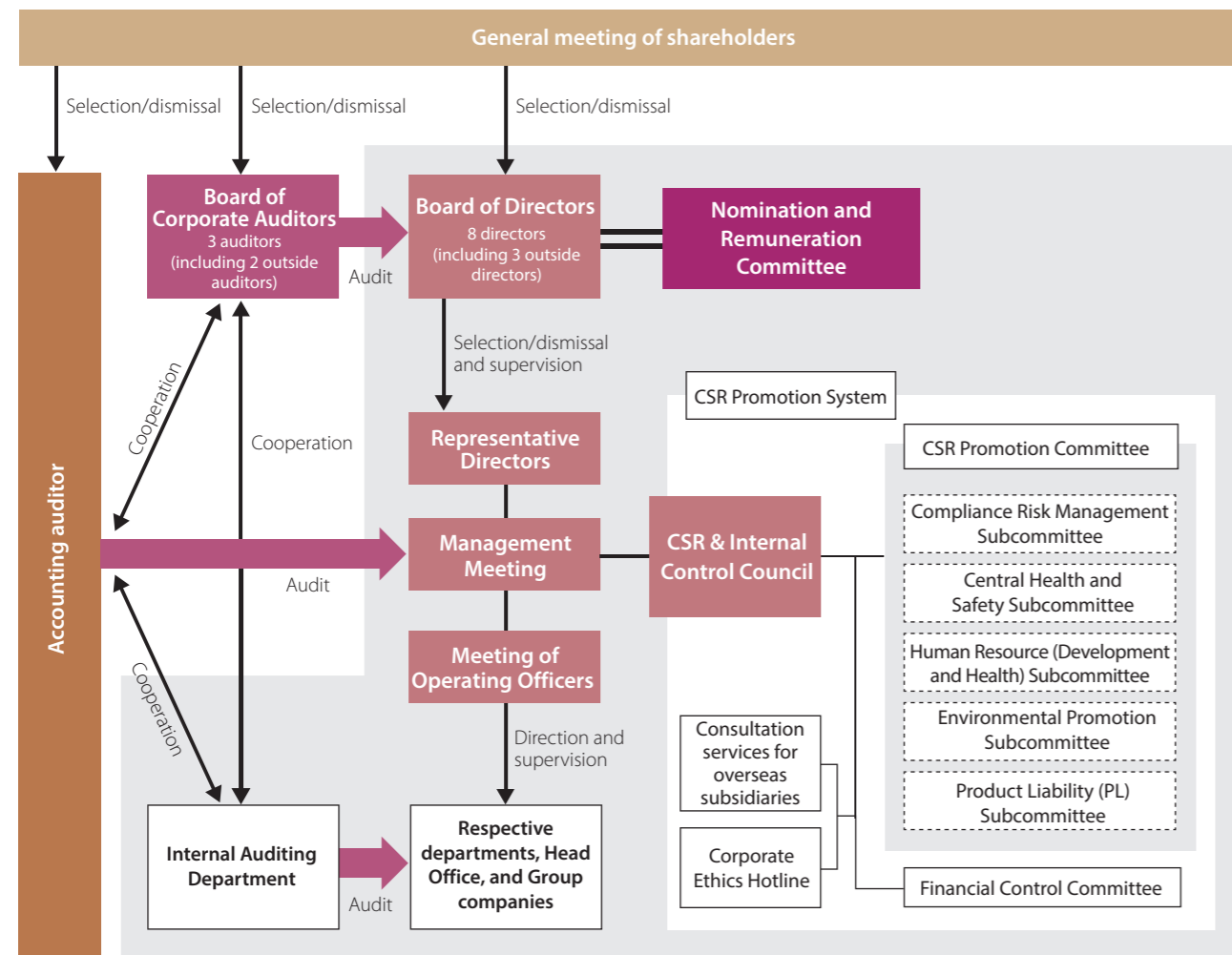
CSR Promotion System

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.

Corporate Governance and CSR Promotion System



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.

Management



Ichizo Yoshikawa
Chairman and President



Yoshiaki Tanihara
Representative Senior Managing Director
General Manager, Automotive Textiles Business Headquarters



Hitoshi Iida
Representative Senior Managing Director
General Manager, Administration Headquarters
Assistant to the President



Teppei Nagata
Director
General Manager, Interior Business Headquarters
President, SUMINOE Co., Ltd.



Hiroaki Usugi
Director
Vice General Manager, Administration Headquarters
Manager, Corporate Planning Department
Manager, Accounting Department, and Manager, Purchasing Department



Haruo Shimizu
Outside Director
Outside Director (in charge of Audit Committee), Bando Chemical Industries, Ltd.
Outside Director, Ashimori Industry Co., Ltd.



Takashi Yokota
Outside Director
Executive Officer, Takashimaya Co., Ltd.



Kohei Nomura
Outside Director
Representative Attorney, Nomura & Partners



Kiyokazu Ichikawa
Corporate Auditor



Atsuhiko Sonoda
Outside Corporate Auditor
Vice Manager, Financial Department, Planning Division, Takashimaya Co., Ltd.



Takafumi Katayama
Outside Corporate Auditor
Representative Director & President, Marubeni Intex Co., Ltd.

Enhancing Governance

Establishing a Trustworthy Corporate Foundation—Fair and Sound Management

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.

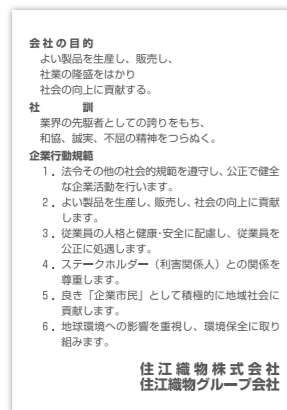
In keeping with the basic policy, officers and employees of the Suminoe Textile Group strive to ensure that their own ways of thinking and behavior are always in compliance with laws and corporate ethics.

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, this fiscal year we organized workshops targeting the production departments at our Group companies. These workshops were held at Teijin Teclath Ltd. with 67 trainees and at the head office of Owari Seisen Co., Ltd. with 106 trainees. 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. This fiscal year, after the revision of the Subcontract Act Compliance Manual, these seminars were held with the participation of 41 employees.

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	2018	2019
Corporate Ethics Hotline	2	1
Outside attorney	0	1
Health consultation service (consultation on harassment)	0	2
Harassment consultation contact point	8	0
Total	10	4

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 employees of respective worksites.

As part of management by walking around, from September 2017 to November 2019, our executives also went to various sites abroad—starting with two sites in Indonesia, they visited one site in Mexico, two sites in the United States, four sites in China, one site in India, and two sites in Thailand. On these occasions, presentations were given on the consolidated Group summary and open-management, and training programs were held on the themes of compliance and overseas risks, thereby enhancing compliance awareness among overseas employees.



Questionnaire Survey on Workplace Comfort (In-house Employees’ Opinion Survey) 2020

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 this year’s survey, those who agreed to “I find my present work rewarding” increased by 0.06 points from the previous year. As for questions regarding “staying in the same job too long” and “information and know-how sharing,” the survey results reminded us that we should continue to take improvement measures. We will also redouble our efforts for “promoting women’s empowerment” as a primary initiative to revitalize human resources.

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 accessible to all employees through the in-house intranet.

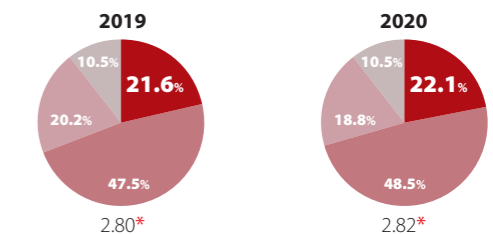
Major Responses to the Survey

(Results of General/Contract Employees)

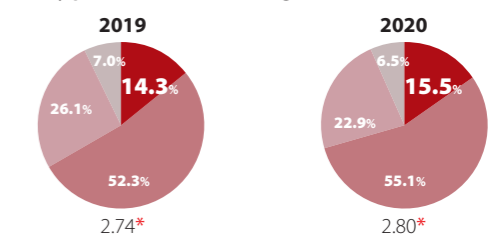
All Group employees both in Japan and overseas were targeted. Questions were asked in eight categories, including “work” workplace,” and “corporate culture,” and each question was answered in two ways: four-grade multiple choice and free comments. Note that responses from overseas employees are not included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

Enhancing Governance

Establishing a Trustworthy Corporate Foundation—Fair and Sound Management

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 seventh year of risk management activities, SPM is focusing on “Reinforcement of the in-house manufacturing system” this fiscal year. To this end, the company has formed groups headed by selected persons. Each group works to increase processing efficiency, review and improve procured materials, increase processing machine accuracy, or reduce process losses. SPM selected the aforementioned theme based on the recognition that the company should further reduce lead times and costs, thereby increasing its competitiveness to cope with the decline in automobile sales volume. To achieve results steadily, the risk management committee sets goals for the items of improvement submitted by each group, 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)

To achieve further risk reduction, SST strives to introduce a production management system targeted at streamlining field work and management, which will serve as a model case for overseas production factories. The introduction process has been affected by the recent COVID-19 pandemic, under which the company has to hold meetings on the Web instead of having them face to face on-site. Nevertheless, SST is working diligently to start operations of the system in accordance with the entire schedule. After achieving full-fledged operation and results at an early stage, the system will be introduced at other overseas factories, thus contributing to the Group-wide project: reengineering of the core system (ISRP).

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

Intellectual Property Management Efforts

Promoting Acquisition of Intellectual Prosperity Rights and Concealment of Trade Secrets

Intellectual property rights include patents, utility model rights, design rights, trademarks and trade secrets. Since each of them has respective advantages and disadvantages, we are working to raise awareness and promote understanding of intellectual property rights among employees.

To be more specific, we hold study meetings and publish the Intellectual Property News on the in-house intranet as part of our efforts to provide intellectual property education for employees regarding patent applications, concealment of inventions, securing the right of prior use, etc. to promote business operations advantageously. In addition, at regular technical meetings held in Nara and Osaka, we introduce related patent information and topics on intellectual property rights. Going forward, we will make continuous efforts for intellectual property education. We will also manage our intellectual property rights by wisely choosing between the acquisition of patents, utility model rights, design rights and trademarks and the concealment of trade secrets so that the Suminoe Textile Group’s businesses can garner competitive advantage.



Progress in Preparation of Business Continuity Plans (BCPs)*

Pandemic Response

The Suminoe Textile’s initiatives to prevent the spread of the novel coronavirus infection are reported in Feature 1 (p. 9-11).

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

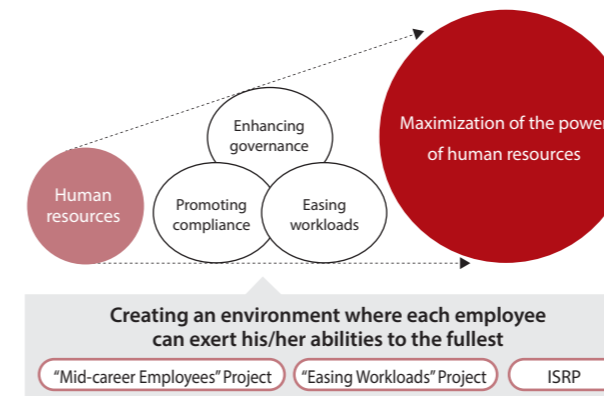
ascertaining how to behave in an emergency.

On September 4, 2020, 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.

* 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 FY2019

It was the fourth year for the project, which was launched as a medium- to long-term initiative. This fiscal year, the project team discussed challenges to be undertaken in the future, besides the activities currently being implemented under the Easing Workload Project and the Information System Reengineering Project (ISRP), in order to secure coordination between this Mid-career Employees project and these two projects. The discussions were held by utilizing the outcomes of the activities in the past three years and referencing the operation analysis being conducted by the ISRP.

Notably, while reviewing the past activities based on the operation analysis, the project team found that many systems were fragmented, which led to extra manual work and a larger number of operation processes to bridge the fragmented operations, thus causing a decline in operational efficiency.

We will henceforth further expand the scope of the operation analysis to consider reorganizing operations so as to construct a simple and disciplined workflow step by step. We will also deepen communication with the relevant departments to encourage them to work out proposals for a better systematization.

2. “Easing Workloads” Project

Promotion of Web Conferencing that Supports Remote Working

The project team summarized the points to be improved to increase operational efficiency that had been identified through the project activities in the past years and vigorously discussed specific measures on the theme of downsizing in-house operations.

The team submitted specific measures at Management Meetings, such as reducing in-house meetings and paper handouts and promoting the use of in-house informal networks. In addition, to prepare for web conferencing opportunities, explanatory sessions were held on how to use the web conferencing system, which had been scarcely used until then. These sessions were implemented from the end of February, when the possibility of working from home was increased due to the COVID-19 outbreak.

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 top-down, Group-wide project since November 2018. By enhancing employees’ awareness that the project is a mission to be undertaken and achieved across the Group, we will promote the project under closer cooperation involving all Group members. Currently, our efforts are primarily focused on the development of the production management systems for PT. Suminoe Surya Techno (SST) and the Traffic Facilities Business Headquarters.

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

Initiatives for Society

Growth and Success of Employees—Creating a Working Environment Where Each and Every Employee Can Demonstrate His/Her Best Performance

Respect for Human Rights

The Suminoe Textile Group will ensure a sound working environment where no employees are harassed or discriminated against because of their race, beliefs, religion, nationality, physical features, etc.

Respect for Diversity

The Suminoe Textile Group considers that human resources are the source of sustainable corporate growth and that it is important to enable each and every employee to demonstrate his/her best performance and grow further. We place emphasis on initiatives to create a working environment that ensures that diverse human resources can work happily and actively, regardless of gender, age, and nationality.

■ Personnel data (Group companies in Japan) As of the end of May each fiscal year

Item/sex/fiscal year		2019	2020
Number of employees	Male	1,070	1,210
	Female	483	569
Average age	Male	45.9	46.6
	Female	41.4	41.9
Average years of service	Male	15.5	15.8
	Female	12.2	12.1
Number of new graduates hired	Male	21	19
	Female	10	14

Supporting a Balance between Career and Family Life

In June 2019, Suminoe Textile Co., Ltd. revised its internal regulations so that employees can take nursing care leave by the hour and use support leave to take care of their family members (for the number of days of unused annual paid leave that expires by prescription, and this leave is retroactively effective for up to five years). The Company will continue its endeavors to support employees in striking a balance between career and family life and to create comfortable workplace environments.

■ Number of employees who used childcare/family care supporting systems

Item/sex/fiscal year		2018	2019
Childcare leave, etc.	Number of employees who took childcare leave	Male	0
		Female	8
	Number of employees who returned to work after childcare leave	Male	0
		Female	9
Number of employees who reduced working hours	Male	0	
	Female	13	
Number of employees who advanced/postponed work start/finish times	Male	0	
	Female	4	
Family care leave, etc.	Number of employees who took family care leave	Male	0
		Female	1
	Number of employees who reduced working hours	Male	0
		Female	0
Number of employees who advanced/postponed work start/finish times	Male	0	
	Female	0	

Human Resource Development

We have formulated an education curriculum for the entire Group. The curriculum comprises various programs, which are categorized into training by level, role training, and selective training.

At Suminoe Textile Co., Ltd. those who are in their third year or less of employment are regarded as young employees. They are required to receive collective training for one month after joining the Company and then take on-the-job (OJT) training between May to September. During the first three years after employment, young employees of Group companies in Japan are required to take annual training sessions. After receiving training for new recruits, they undergo collective training designed for second- and third-year employees. The Suminoe Textile Group companies in Japan jointly implement training programs, which also serve as opportunities for deepening mutual exchange among employees participating from their respective Group companies.

■ Number of employees taking training (FY2019)

Training system / Number of trainees		Total	Male	Female
Training by level, role training, and selective training (for skill improvement)	Collective training	174	125	49
	Correspondence course	110	74	36
Selective training (for self-development)	Language training (in-person)	5	4	1
	Language training (web)	19	11	8

(FY2019)

Training system / Number of trainees		Total	Male	Female
Nominative/selective training	Middle management training	12	12	0
	Web management course*	7	6	1

* Started in June 2020

Topics

Launch of TATSUNOKO CLUB

Cross-Departmental Opportunities for Knowledge Acquisition

In October 2019, we launched the Tatsunoko Club, an in-house study meeting that serves as a venue for self-development to learn a variety of basic knowledge. It is a participatory meeting for learning mainly through discussions and exercises.

The Tatsunoko Club has brought together interested employees, transcending the departmental boundaries, to learn about “Critical Thinking,” “Service Innovation” and other themes that are more challenging than themes related to common daily routines. It has been attended by young employees, managers, and overseas employees who participate on the web. In the six months since its launch, a total of ten Tatsunoko Club meetings were held, with nearly 50 participants at a maximum.

We had worked for many years to achieve the task of realizing this kind of training. Many participants also commented that the Tatsunoko Club provided them with a significant opportunity to gain a new insight and hone their skills. We will continue to help individual employees pursue learning and their personal growth.



Topics

Publishing a Technical Data Handbook

Handing Down Knowledge and Experience to Employees Who Will Become the Next-Generation Leaders

In March 2020, Suminoe Techno Co., Ltd. published the second edition of the handbook for human resource development. The company promotes human resource development, aiming to foster individuals who can think and act on their own at the worksite and nurture professionals equipped with the highest level of expertise.



Occupational Health and Safety

Safety Activities

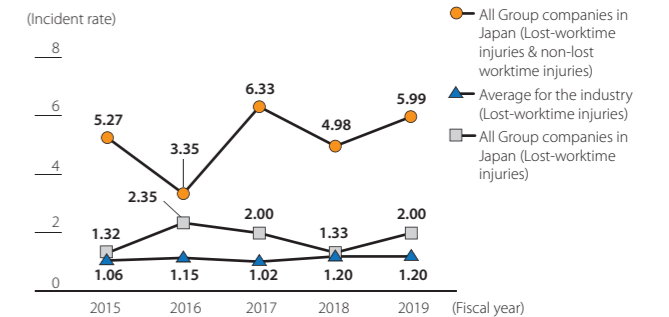
Promoting Occupational Accident Prevention Activities

At each office/factory of the Suminoe Textile Group, the Health and Safety Committee (in the case of a small establishment, the person in charge of health and safety) takes the lead in efforts to eradicate occupational accidents.

To promote occupational accident prevention activities, the Central Health and Safety Subcommittee consolidated and shared Group-wide “proposal instances regarding occupational health and safety,” “on-site safety awareness-raising examples,” and other information on the initiatives carried out at respective offices/factories. However, both the number of occupational accidents and the number of lost-worktime injuries slightly increased. Accordingly, the incident rate rose. We also failed to achieve a rate of lost-worktime injuries of “1.0 or lower,” which we had set as the target for fiscal 2019.

We will strengthen risk assessments and consult with each factory/office about measures to reduce occupational accidents by thoroughly decreasing risks and preventing the recurrence of similar accidents.

Change in the incident rate* of Group companies in Japan



Source: 2019 Workplace Accident Trend Survey, Ministry of Health, Labor and Welfare

* Incident rate: Accident frequency, measured as the number of deaths and injuries caused by industrial accidents per million working hours

Management of Working Hours

Promoting Measures to Correct the Issue of Long Working Hours

This fiscal year, the First Personnel Subcommittee, established under the CSR Promotion Committee, unified the document form for reviewing current employees’ working hours at Group companies. Based on the results, discussions are held as to improvement measures to reduce these hours. The Subcommittee repeatedly makes an announcement over the P.A. system to encourage employees to go home early after closing time and calls employees’ attention to no-overtime days. These measures have produced positive effects. The results of the Questionnaire Survey on Workplace Comfort also showed a higher rating for the question regarding employee’s working hours than in the previous surveys.

As for the use of paid leave, the rate of employees using paid vacation days increased from the previous fiscal year.

■ Use of paid leave (in Group companies in Japan)

Item / Fiscal year	2018	2019
Use rate of annual paid leave (%)	42.7	56.6

Initiatives for Society

Growth and Success of Employees—Creating a Working Environment Where Each and Every Employee Can Demonstrate His/Her Best Performance

Promoting Women's Empowerment

This section reports on the progress made in the Women's Empowerment Promotion Plan.

1. Planned period: June 1, 2018 – May 31, 2020

2. Targets and progress

Target 1 Ratio of new female graduates hired

Suminoe Textile Co., Ltd.

50% or more for administrative and sales staff,

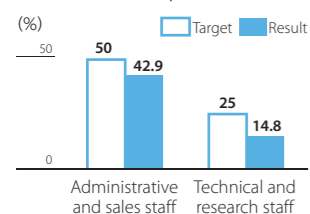
25% or more for technical and research staff

SUMINOE Co., Ltd.

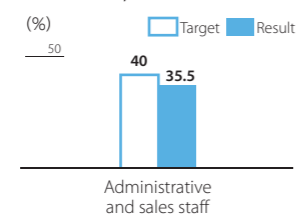
40% or more for administrative and sales staff

■ New graduates hired (2018~2020)

Suminoe Textile Co., Ltd.



SUMINOE Co., Ltd.



Target 2 Enhancing the system to enable female employees to continue working even after going through various life events by supporting them in balancing work and family

We promote initiatives to support female employees in striking a balance between career and family life.

For details, please refer to "Supporting a Balance between Career and Family Life" on page 35 of this CSR Report.

Target 3 Raising the rating of the questions regarding women's empowerment by 0.1 point in the in-house employees' opinion survey (Questionnaire Survey on Workplace Comfort)

To raise the rating of the questions regarding women's empowerment, we implemented career design training, training on coaching female subordinates, meetings for promoting exchange between female employees, etc. However, there was no major change in the rating during the past two years.

[New Women's Empowerment Promotion Plan]

1. Planned period: June 1, 2020 - May 31, 2022

2. Targets: We will strive to raise the female employment rate and the percentage of female managers by publicizing our activities to promote women's empowerment at company information sessions, dispatching female employees to external training programs, holding exchange meetings for them, and providing training for female managers. We will also work to encourage male employees to take childcare leave by raising the awareness of the male employees themselves and their supervisors.

Interviews with Female Employees Who Are Actively Working

Voice

Mami Nakagawa

Product Planning Department, Product Division
RUNON CO., LTD.



Fascinated with Wallpaper

Since long ago, I have felt familiar with wallpaper because of my father's job. As I grew, I became interested in the history of how wallpaper had taken root in Japan, and so I decided to study this area in university. My research motivated me to join RUNON. Now I am mainly engaged in wallpaper product planning and creation of sample books. Wallpaper production begins with selecting wallpaper making companies to which we entrust the manufacture of products in accordance with the required functions and design expression. Since respective wallpaper making companies use different manufacturing methods, it is important to understand each company's characteristics. In addition, we strive to design products, taking into account the properties related to installation, such as ease of putting up and beautiful finish, to ensure that we can satisfy all concerned parties, including wallpaper installers and end-users. It is truly delightful to find such products of ours being used in the town or on television after they have been chosen from among thousands of options, including products created by other companies. I can also feel my work rewarding if our products will last for a long time in the world. I always pay attention to the space where wallpaper is used and to other interior elements beside the wallpaper to find new ideas and hints that will help me develop the next design.

Taking on New Challenges with Curiosity

As I continue to work longer for this company, I have more opportunities to take advantage of my past experience, but I may become more stability-oriented. To prevent this, I encourage myself to take on new challenges with curiosity. In retrospect, I feel that I was happy to experience the pleasure, discoveries and some personal growth, all of which would not have been possible without continuing to work. I believe that we can pursue a way of working suitable for ourselves in any environments by taking on challenges regardless of precedent while addressing the aspects of work that are unsuitable for us. I will continue to practice positive thinking to overcome any difficult situations without deciding that I can't do it.

Continuing to Offer a Better Lifestyle

To create a sample book titled "HOME," I referenced its past editions. Viewing the past works appearing in them, I was greatly impressed because I realized that our predecessors had passionately created these products with their wishes to "have customers use the wallpaper in this manner" and "meet the needs of the times." Previously, a customer said "I want to continue using the same wallpaper for years to come," albeit the fact that the product had been created several decades ago. I was very pleased to hear that and felt proud to work for a company that can produce products loved by customers for many decades. Although interior styles vary with the times, people's wish to enjoy a better lifestyle remains unchanged. While valuing the history that RUNON has woven, I will continue my efforts to create products and sample books that are loved and satisfying to our customers for many years.

Senior Employees Playing Active Roles

Voice

Hitoshi Nishio

Quality Assurance Department
Suminoe Textile Co., Ltd.



What approach do you take to your daily work?

I am in charge of quality auditing, maintenance and management of the quality management system for aircraft textiles, monitoring of legally regulated chemical substances based on the Green Procurement Guidelines, preparation and registration of SDSs, AISs and IMDSS, compliance with the Container and Packaging Recycling Law, and supporting other quality and environmental affairs. As for management of chemical substances contained in our products, ignorance is inexcusable since it is a duty to be performed to comply with laws and regulations. With this recognition, I ask persons in charge of product design and procurement in the Company to conduct investigations into chemical substances that have been newly added as restricted items each year to ensure that they have a good understanding of the regulations and the latest information. My motto is to work hard as courageously and confidently as anyone else while proactively obtaining new information and knowledge.

What aspect of your work do you find the most worthwhile, and what has been your most beneficial experience while working for the company?

I like to take on new challenges and address technological issues in response to changes. When I can achieve positive results, I feel a sense of fulfillment. I have many years of experience in working on the factory floor. I am thankful that I have enjoyed many opportunities to deal with new technologies and equipment. For example, I have worked on the development of resin for electric home appliances, as well as production of a high-speed tenter, asphalt carpet tiles, PVC carpet tiles, APAO backing, rubber foam backing, urethane foam backing, and plant-based carpet tiles.

I am truly pleased to have these valuable experiences, including troubles at the manufacturing site. Even now, I am benefiting from these experiences.

What has been your happiest experience while working for the Company?

It was in 2018 when we acquired the certification for JIS Q 9100: 2016, a quality management system standard for the aerospace industry. In the future, the certification will be absolutely necessary for marketing interior materials for aircraft. Its registration is valuable because JIS Q 9100 is a quality management system standard at the highest level, with only about 700 companies certified in Japan. It was our great pleasure that thanks to cooperation of people around us, we managed to complete the quality manual in a short term of one year and then succeeded in obtaining the certification.

Message to other Senior Employees

I believe that it is important to work with the first priority given to staying healthy while periodically taking care of your body. If you are not well, you cannot work hard.

Message

Takako Izumi

Quality Assurance Department
Suminoe Textile Co., Ltd.



Message to Mr. Nishio from a Coworker

I respect Mr. Nishio since he is powerful enough to process enormous volumes of information, working hard to enter IMDS data and create a quality manual for aircraft textiles. He always comes up with cheerful and invigorating topics and brightens the atmosphere of the Quality Assurance Department. In addition, Mr. Nishio has a sweet tooth. He is good at finding tasty sweets and new cakes, and we often receive a share of such confections.

Introduction of a Local Employee Working at an Overseas Subsidiary

Voice

Cai hongju

Suzhou Suminoe Koide Automotive Accessories Co., Ltd. (SSK)

Joined the company on September 6, 2011



What aspect of your work do you find the most worthwhile or important?

I find it worthwhile to make a trial product for a new vehicle model because I can obtain a wide variety of information. When a pre-production sample is completed, I have a feeling of achievement. I attach importance to strengthening quality control so as not to produce defective products.

What is the key to communicating well with Japanese staff members?

Looking up Japanese manners and customs on the Internet helps me find common topics for conversation, making it easier to exchange with Japanese staff members.

What are your advantages over others in doing work?

I think that I take a serious attitude towards work. I am conscious of performing work in an efficient manner.

What are your favorite places that you would recommend or you want to visit?

I love Xishan Island, which is my home. It features beautiful landscape and is rich in fruits. In Japan, I am interested in Osaka since I have heard that it is a beautiful city, where the Head Office of Suminoe Textile is located. I wish I could visit it just once.

Initiatives for Society

Communication with Local Communities (Social Contribution Activities)

Each factory/office in the Suminoe Textile Group has conducted community-based social contribution activities.

Local Cleanup Activities

As a good corporate citizen, we strive to revitalize the regional community and promote environmental beatification and protection. For example, individual factory employees have been continuously cleaning areas near their factory, as members of their local communities.



Teijin Tecloth Ltd.
In May 2020, 45 employees participated in the Inazawa "Gomi Zero" (Garbage Reduction) Campaign in Spring.

Cooperation with Educational Institutions "Company Tour to Shinagawa"

The Tokyo Branch of Suminoe Textile Co., Ltd. has been providing cooperation for a company tour program, which nearby schools have been promoting as part of career education. In September 2019, six students visited the Tokyo Branch, where they enjoyed hands-on experience of interior designing by coordinating curtains and rugs in the image of their teachers' rooms. These students also participated in a meeting to exchange views on "What do you think about 'working?'" and "Why do we study?" They expressed their impressions of this program, making such comments as "It was interesting to discover that individual participants have different opinions" and "I will continue to study hard for my future career."



Promotion of the Pink Ribbon Campaign

RUNON Co., Ltd. is an official supporter of the Pink Ribbon Campaign. This campaign aims to protect as many women as

possible from the sadness caused by breast cancer by spreading correct knowledge about breast cancer. The company supports this campaign with a strong determination to act and back up women engaged in the interior industry and staff members of medical, nursing care, and welfare facilities.

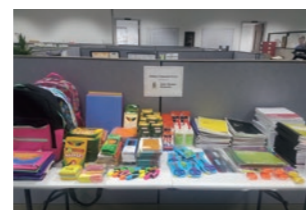


Social Contribution Activities at Suminoe Textile of America Corporation (STA)

STA has been constantly working on local community-based activities. This fiscal year, in October 2019 the company held Family Manufacturing Day for one week, inviting families of its employees and local high-school and university students. During the factory tour, participants were guided to the shop floor for manufacture of automotive textiles that are familiar to them so that they could feel the pleasure of manufacturing while receiving explanations about the company and products. They also enjoyed cookies and drinks served during the event, which was held in a friendly atmosphere. Family Manufacturing Day welcomed more than 80 guests. Additionally, STA continuously makes donations to local elementary schools and gives Christmas presents to local children.



The Angel Tree
Christmas presents for local children



Donating stationery to a local elementary school

Initiatives for the Environment

Environmental Management—Under the Slogan of KKR+A



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"

The Suminoe Textile Group is promoting environmental measures based on the seven declarations released in 1998 and revised in 2009.

Declaration 1 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.

Declaration 2 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 for that purpose include スミトロン® (SUMITRON) polyester yarn made from recycled PET bottles, a recycling system for carpet tiles in which used tiles are recollected and recycled into new products, SUMICUBE® seat cushion material for railway cars boasting high recycle efficiency, and SE Light simplified raised floor material made from PP resin which was recycled from beer cases.

Declaration 3 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 quantitatively evaluate the impact of manufacturing activities on the environment while taking into consideration the entire cycle of products—materials, manufacturing, transportation, use, and disposal.

Declaration 4 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.

Declaration 5 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 the production process. We will also update energy-saving facilities constantly, improve product quality, reduce the weight of products, and simplify packaging. At the same time, we will strive to increase the efficiency of transportation, resources utilization, and waste disposal, thereby promoting resource and energy conservation.

Declaration 6 We shall promote the appropriate management of environmentally hazardous substances based on the latest information.

Tougher controls have been in place both in Japan and abroad on the use of specific chemical substances in products. In response to this, we will check all of our products using relevant materials and properly manage such materials based on the Supply Chain Management (SCM) concept. Furthermore, we will keep ourselves abreast of the latest information on product safety.

Declaration 7 We shall present and provide products that are conscious of the environment.

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."

Initiatives for the Environment

Environmental Management—Under the Slogan of KKR+A

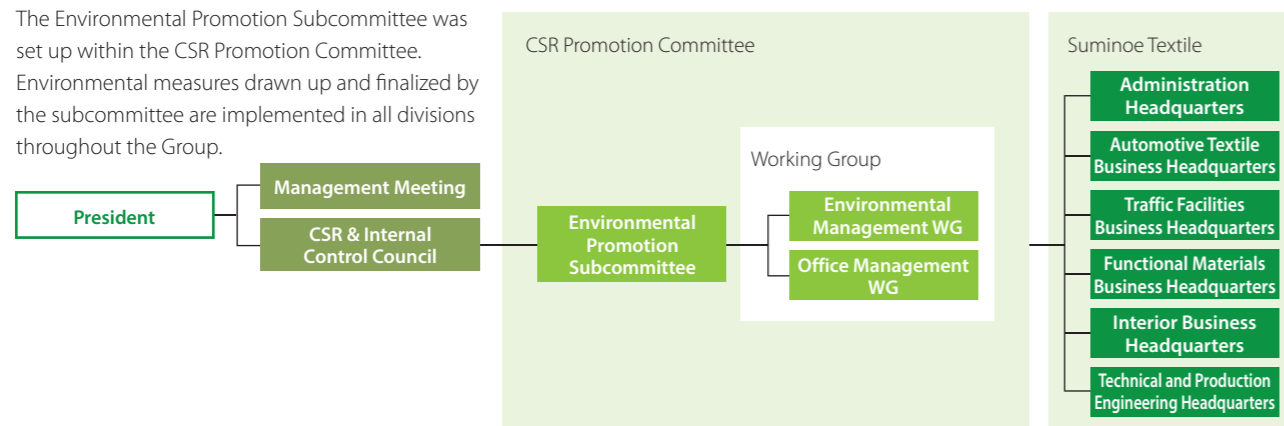
Guideline on Activity

In carrying out environmental conservation activities

- 1** We will positively promote energy-saving, resource-saving, and 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
 - ③ Development of products and technology to replace materials which would put less load on environment and have more safety
 - 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. Environmental measures drawn up and finalized by the subcommittee are implemented in all divisions throughout the Group.



Introduction of environmental management system

The Nara Factory obtained ISO 14001 certification in fiscal 2000, making it the first among the Group to be awarded certification on environmental management. To date, five factories in Japan have obtained ISO 14001 certification, and one factory Eco Action 21 certification.

	ISO14001: 2015			Eco Action 21: 2009
	Nara Factory, Shiga Factory	Teijin Teclath Ltd.	Owari Seisen Co., Ltd.: Head Office Factory, Ishikawa Factory	TANGO TEXTILE Co., Ltd.
Screening and registration agency	Japanese Standards Association	Japan Quality Assurance Organization	Japan Quality Assurance Organization	Institute for Promoting Sustainable Societies
Registration number	JSAE 235	JQA-EM1519	JQA-EM3114	0009522
Registration date	May 2000	April 2001	March 2003	July 2013
Registration renewal	6th renewal completed (May 2018)	6th renewal completed (April 2019)	5th renewal completed (July 2017)	3rd renewal completed (July 2019)

Fifth Medium-Term Activity Goals—Eco Challenge 2020—

Environmental commitment

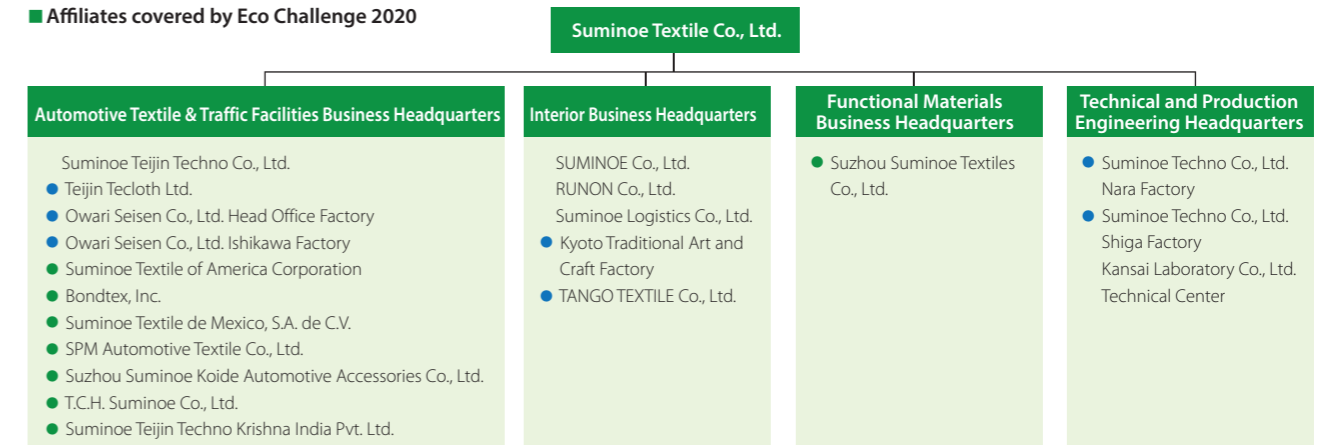
Business activities undertaken by the Suminote Textile Group are deeply connected to the environment. This holds true to our daily operations, as well as to the entire lifecycle of our products—from product development and design, material procurement, production, sales, distribution, consumption, disposal and recycling.

The Suminote Textile Group is working on assessing and reducing the impact on the environment from all of our business activities 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 2020.

Eco Challenge 2020 (Fifth Medium-Term Activity Goals)

Eco Challenge 2020 (Fifth Mid-Term Activity Goals) was formulated as a set of goals on environmental protection. Its duration was two years from fiscal 2018 to 2019, during which we promoted environmental activities.

Affiliates covered by Eco Challenge 2020



● 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

Period: Fiscal

2018–2019 (two-year plan; data collection lasting between June 2018 and May 2020)

Activity Goals and Fiscal 2019 Results

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

	Work areas	Base FY	Final numerical targets	Evaluation
1	Prevention of global warming	2017	2% reduction (Basic unit)	○
	Reduction of fuel consumed by company-owned vehicles	2017	2% reduction (Basic unit)	△
2	Resources conservation	2017	2% improvement	△
	3Rs regarding waste material	2017	2% reduction (Basic unit)	△
		—	65% or more	△
3	Reduction of industrial waste	—	10% or less	△
	Increase of recycling rate	—	—	—
	Reduction of waste disposal rate via land reclamation	—	—	—
4	Prevention of environmental pollution	2017	2% reduction (Basic unit)	○
	Reduction of emissions reported under PRTR system	2017	2% reduction (Basic unit)	△
5	Promotion of Green Activities	—	95% or more	△
6	Promotion of LCA assessment for products	—	12 items under LCA	○
7	Promotion of development of environment-friendly technologies	—	2 cases	○
8	Promotion of development of environment-friendly products	—	6 cases	○
9	Promotion of biodiversity preservation in business activities	—	—	—
10	Consolidation of data on environmental impact of overseas factories and reduction of such impact	—	Compilation of data for all overseas factories	○

Basic unit: Consolidated sales used as a denominator for calculation

Conversion coefficient: The amount of NOx emissions is calculated based on a conversion coefficient used in the 2002 edition of Eco Action 21.

Initiatives for the Environment

Eco Challenge 2020 (Fiscal 2018 Results)

Eco Challenge 2020 uses the fiscal 2017 data as the standard.

In fiscal 2019, we achieved targets in work areas related to reduction of energy consumption, prevention of environmental pollution, development of environment-friendly technologies and products, and compilation of environmental data for overseas factories. Also attaining the targets for promotion of LCA assessments for products, we accomplished these targets for the entire period of the Eco Challenge 2020.

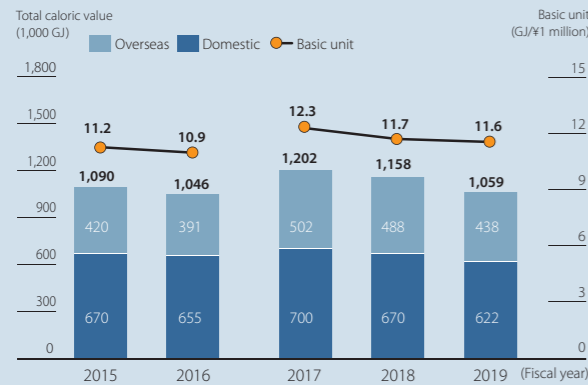
Prevention of global warming

Reduction of Energy Consumption

We assess the results of our energy-saving activities based on the calorie equivalent of our energy consumption*. Eight companies have been included in the "overseas" category since the base year fiscal 2017 (five for 2016 or before).

* Unit of calorie equivalent of energy consumption: GJ (gigajoule)

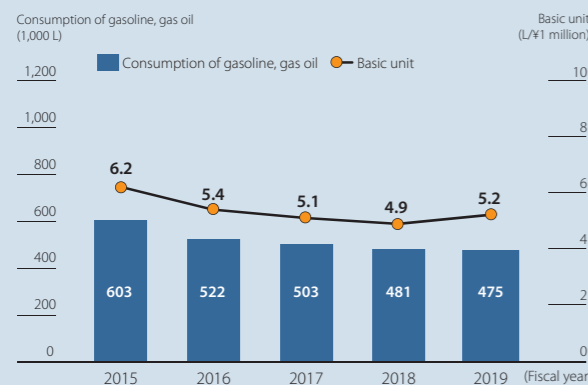
Change in calorie equivalent of energy consumption [including overseas consumption]



Reduction of Fuel Consumed by Company-Owned Vehicles

We are striving to reduce fuel consumption by company-owned vehicles by promoting eco-driving and adopting a policy of actively switching to fuel-effective vehicles. In fiscal 2019, we reduced the consumption but failed to achieve the reduction target in terms of basic unit.

Change in fuel consumed by company-owned vehicles

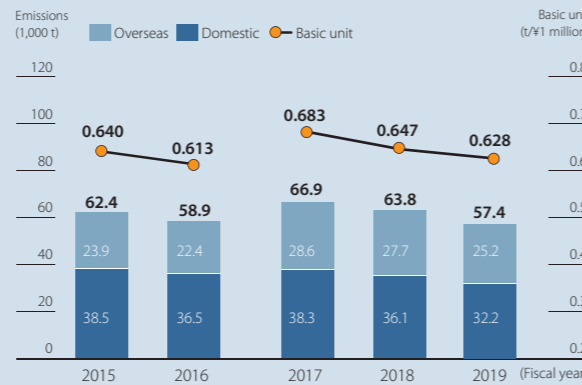


[Reference data] Reduction of CO₂ Emissions

We assess the impact of our corporate activities on global warming based on CO₂ emissions*. Both CO₂ emissions and basic unit have decreased compared to 2017 (overseas: 8 companies for 2017 onwards, 5 companies for 2016 or before).

* For domestic factories, the amount of CO₂ emissions is calculated based on a conversion coefficient set in accordance with the law to promote measures against global warming. For overseas factories, the calculation is based on a conversion coefficient set for each country in the 2007 GHG protocol.

Change in CO₂ emissions [including overseas consumption]

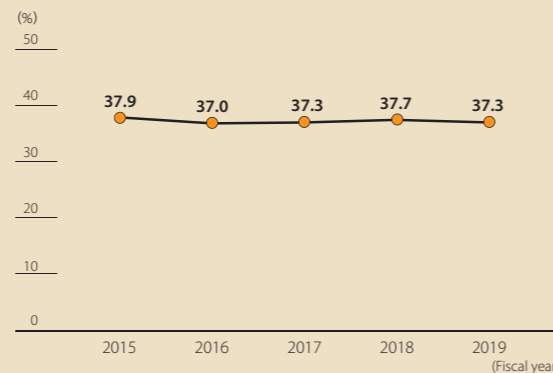


Resources conservation

Increased Utilization Rate of Recycled Materials

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

Rate of use of recycled materials



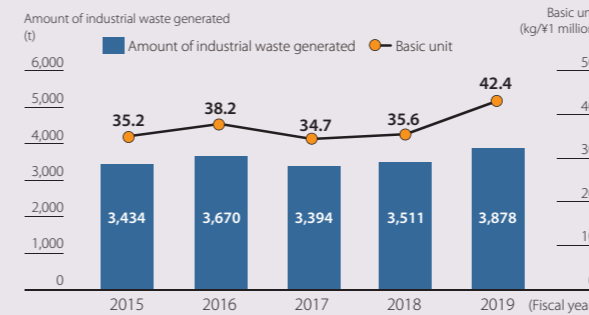
3Rs regarding waste material

Reduction of industrial waste generated

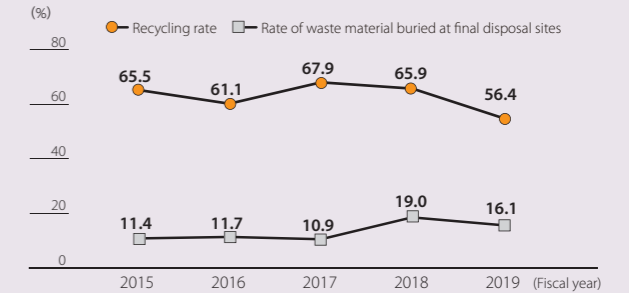
Increasing the Recycling Rate and Reducing the Waste Disposal Rate via Land Reclamation

We are striving to reduce industrial waste generation by minimizing unused materials for our products, by not manufacturing products that do not pass quality standards, and by using resources effectively. In fiscal 2019, due to test runs of the newly installed manufacturing equipment, the amount of industrial waste increased, which affected the results of each target item.

Changes in amount of industrial waste generated



Changes in recycling rate and rate of waste material buried at final disposal sites

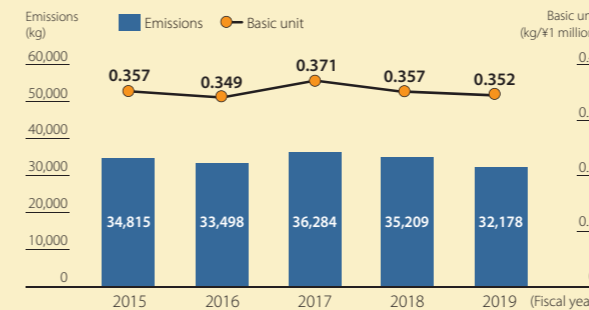


Prevention of environmental pollution

Reduction of air pollution (NO_x emissions)

Substances that may pollute air include NO_x, SO_x, and other fine particles. NO_x is used here as an example to explain the situation of air pollution. The amount of NO_x 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.

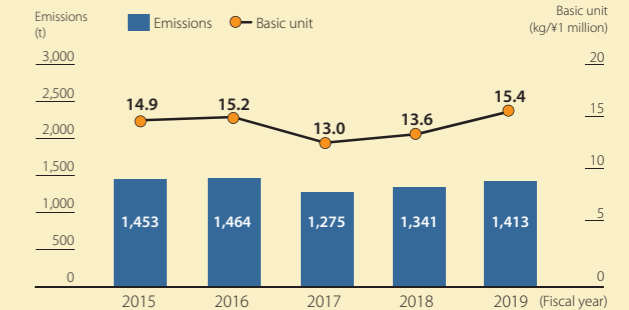
Reduction of NO_x emissions



Reduction in the Amount of PRTR Designated Substances Handled

We are in the process of replacing chemical substances whose use will be restricted by regulations with safer alternatives.

Reduction in amount of PRTR-designated substances

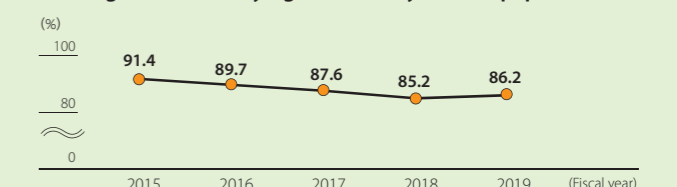


Promotion of Green Activities

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 throughout their entire life cycle, from collection of materials to disposal.

Change of rate of buying eco-friendly office equipment



Initiatives for the Environment

Eco Challenge 2020 (Fiscal 2019 Results)

Promotion of LCA* Assessment for Products

Promotion of LCA Assessment for Products

We have established an LCA system for products and have conducted in-house assessments since fiscal 2015. In fiscal 2019, we carried out LCA assessments for 49 items, attaining the target set under Eco Challenge 2020.

* 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 and Products

Promotion of Development of Environment-Friendly Technologies

クインテック® (QUINTECH) multi-functional processing technology featuring five functions that improve indoor environments トリアルフレッシュ®デオ (TRIPLE FRESH DEO) (having deodorant, antibacterial, anti-virus and antiallergen functions) plus anti-mite function

Promotion of Development of Environment-Friendly Products

- 1 New series of ECOS® Carpet Tiles—LP-2000N, LP-3100 and iD-7100— which use solution-dyed nylon yarn that has less environmental impact
- 2 Revamp of the olefin flooring material “Hokkarari Floor” for TOTO’s bathroom units
- 3 “空気を洗う壁紙” (Air Cleaning Wallcoverings) Stretch” featuring deodorant, antibacterial and anti-cracking properties and a weight reduction of 20% as compared with conventional products

Consolidation of Data on Environmental Impact of Overseas Factories and Reduction of Such Impact

Compilation of Data for Overseas Factories

In fiscal 2019, environment-related data of two overseas factories* were newly added to the compilation.

* PT. Suminoe Surya Techno (Indonesia)
Suminoe Koide (Thailand) Co., Ltd. (Thailand)

Environmental Activities for Preserving Biodiversity in Business Operations

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

Activity Policy

1 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 Promoting new measures that are possible at each factory for preservation of biodiversity 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

Activity Results

[Nara Factory of Suminoe Textile Co., Ltd.]

The factory has participated in activities of the Ando Ouyu-Kai, an association aimed at developing a cherry tree-lined promenade in the area along the Okazaki River flowing south of the factory, and has taken care of the trees.

[Shiga Factory of Suminoe Techno Co., Ltd.]

The factory has been working on propagating the Sasayuri lily, known as the flower of Koka City and a symbol of the harmonious coexistence of people and nature, on the factory premises.

[Factory at the head office of Owari Seisen Co., Ltd.]

The factory has been supporting the project to revive fireflies along the Kiso River and in other wetland areas, as a member of the Ichinomiya Heisei Firefly Association.

column

Our Corporate Messages published in the Monthly Magazine “Wedge”

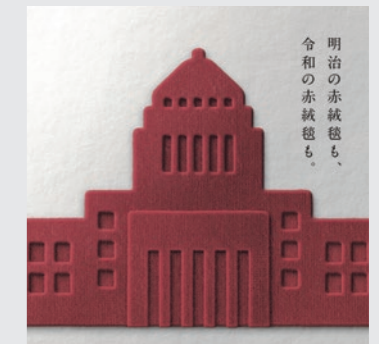
To let more people know about the Suminoe Textile Group’s businesses, we published our corporate messages in serial form in the monthly magazine “Wedge” (between the March 2020 issue and the February 2021 issue). Looking back on our history of over 130 years, we designed the pages bearing these messages, with motifs borrowed from some of the Group’s past projects by using the textiles and materials actually used in these projects. Our corporate messages at the time of publication have been posted in the News Release section of the Company’s website.



March issue
“modeS” curtain series from SUMINOE Co., Ltd.



April issue
Seat covering for Green Cars of the 0-series Shinkansen bullet train



May issue
Red carpet for the National Diet Building



June issue
Automotive seat coverings



August issue
Hotel carpet



October issue
Carpet for “Asahi no Ma” of the State Guest House, Akasaka Palace

* Each advertisement was first published in the issue that is indicated under the advertisement.

Monthly magazine **Wedge**

Wedge is a monthly magazine that is available in Green Cars of the Tokaido and Sanyo Shinkansen lines. It is also sold at bookstores and station stands. Its publisher, Wedge Inc., upholds the following corporate philosophy: to contribute to society by helping resolve various issues both in Japan and overseas.

Editorial Postscript

Thank you very much for reading our CSR Report 2020.

We organized the information about the Group’s ideas and projects related to CSR activities and expressed them in an easy-to-understand manner. While we receive growing demands for tackling international social challenges, we are determined to continue steady implementation of CSR activities to become a corporate group to be trusted. In this respect, we would be grateful if you could give us your candid opinions and comments about the Group’s CSR activities by answering the questionnaire, for future reference.

CSR Report Editorial Team