

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

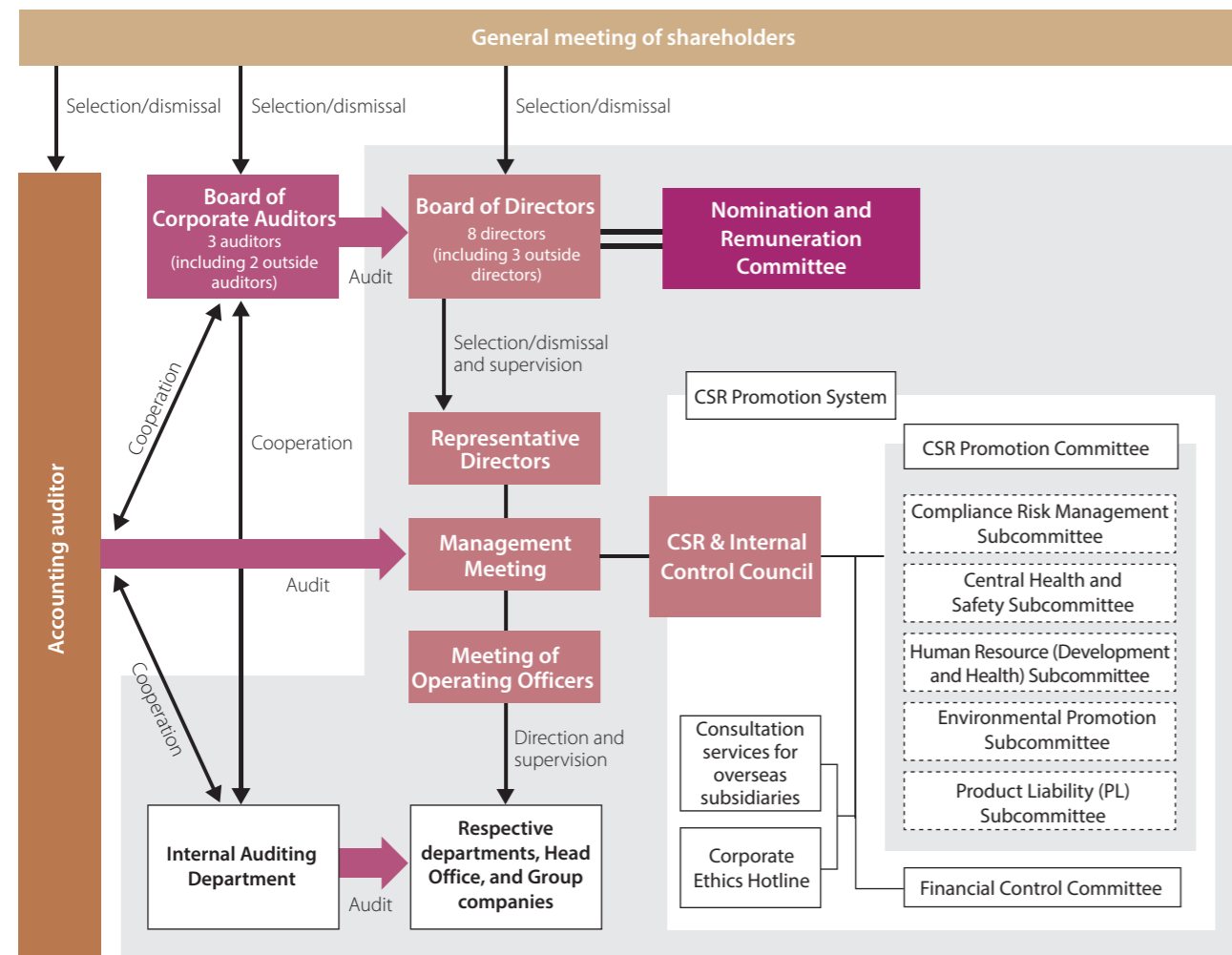
CSR Promotion System

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.

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Ensuring Compliance

Basic Policy

Corporate Activities in Compliance with Laws and Corporate Ethics

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

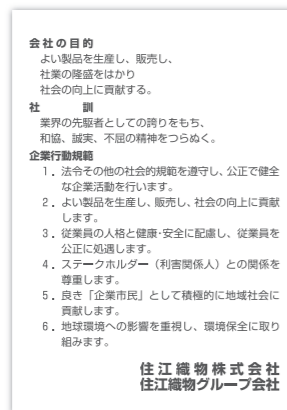
In keeping with the basic policy, officers and employees of the Suminoe Textile Group strive to ensure that their own ways of thinking and behavior are always in compliance with laws and corporate ethics.

Compliance Measures

Creating a Corporate Culture to Develop Compliance Awareness in Daily Operations

The Suminoe Textile Group communicates relevant information to develop compliance awareness among officers and employees through various media contents. For example, the Compliance Guidance issued in April 2017 is used as a tool for lectures on compliance, which are continuously provided for employees at the time they enter the company and training by level.

English and Chinese versions of the Guidance were distributed to employees of overseas Group companies. Employees are also encouraged to recite the Code of Conduct in unison to help foster their awareness of compliance.



Poster on which the Code of Conduct is printed



Compliance Guidance (Japanese, English and Chinese versions)

Compliance Education

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

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

The Suminoe Textile Group has repeatedly provided compliance education on a regular basis. In accordance with the compliance training plans designed for each operation site, 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.

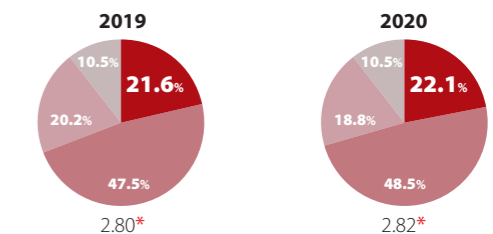
Major Responses to the Survey

(Results of General/Contract Employees)

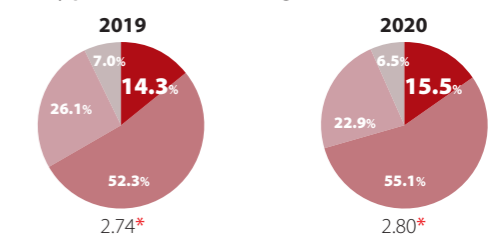
All Group employees both in Japan and overseas were targeted. Questions were asked in eight categories, including “work” workplace,” and “corporate culture,” and each question was answered in two ways: four-grade multiple choice and free comments. Note that responses from overseas employees are not included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

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Risk Management

Risk Management

Risk Management at Offices/Factories in Japan

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

Risk Management at Overseas Subsidiaries

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

In its 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

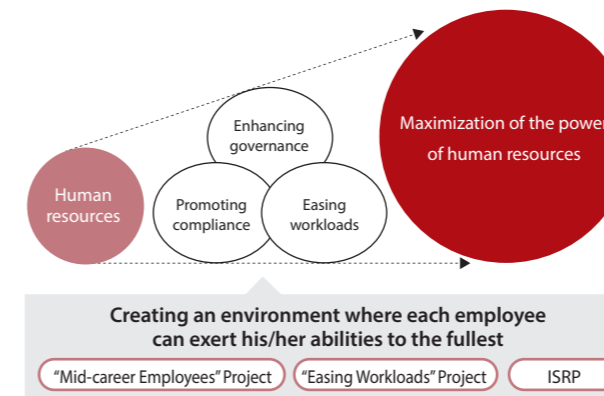
ascertaining how to behave in an emergency.

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