



The Suminoe Textile Group Aims to Achieve Both Sustainable Growth and Contribution to Realizing a Sustainable Society

Introduction

I am Tepei Nagata, who recently assumed the post of President. I would like to offer our deepest condolences to those whose lives were taken away by complications caused by the novel coronavirus (COVID-19). I would also like to express our sincerest sympathies to those suffering from COVID-19 and their families, as well as to all those whose daily livelihoods have been affected by the pandemic.

Initiatives to Achieve the Medium- to Long-term Management Targets

The Suminoe Textile Group announced "SUMINOE GROUP WAY 2022-2024-2027," new Medium- to Long-term Management Targets (hereinafter SGW) which came into force in June 2021, in order to move on to the next growth stage, looking ahead to the post COVID-19 era. The SGW has set six-year financial and non-financial targets as well as a three-year consolidated income and expenditure plan. We will strive to steadily gain sound profits while further strengthening ESG management that the Group has promoted so far. In so doing, we aim to be a company that contributes to the realization of a sustainable society by implementing the following initiatives.

Expand sales and build a foundation for the growth.

We will further promote our environmentally friendly technologies that we have accumulated over the years and create technological innovation to reinforce the development of our Group's proprietary processing technologies and unrivaled products.

Improve financial structure.

We will improve the debt-equity (D/E) ratio by around 0.5 times by the fiscal year ending May 2024 so as to enhance our corporate value.

Create workplaces for employee happiness.

We will develop human resources who can not only accomplish tasks at hand but also achieve reform and personal growth from a broad perspective. At the same time, we will develop a safe and secure work environment and establish a working system that accommodates diverse work styles.

Share the Company's vision with employees.

To ensure that the entire Group will work toward the same vision, we will facilitate communication between management and employees, aiming to become a more open organization.

Further reduce CO₂ emissions.

Our product-related efforts to reduce CO₂ emissions include increasing sales of the ECOS® series of recycled carpet tiles produced using horizontal recycling, transitioning from piece-dyed yarn to solution-dyed yarn, and increasing the use of recycled fibers. Also in our business activities, we will contribute to CO₂ emissions reduction by improving logistics systems and unifying the production bases.

Enhance Governance.

We aim to be a company trusted in society by further promoting our initiatives and by complying with laws and regulations and corporate ethics.

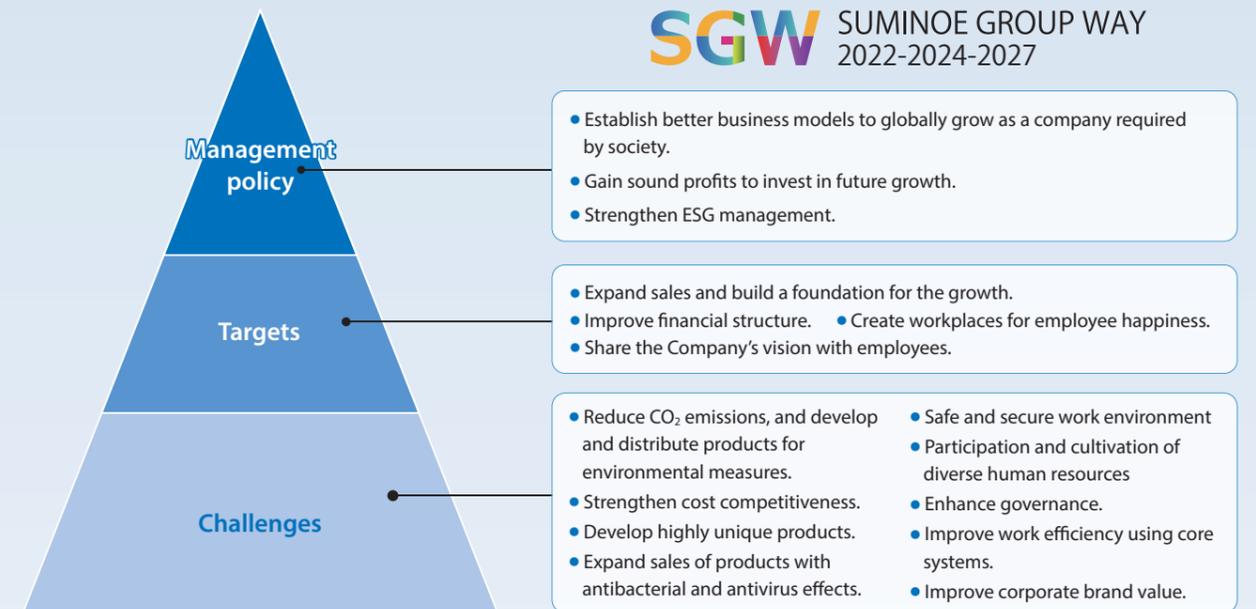
Although the environment surrounding the Suminoe Textile Group has changed many times, we have grown by responding appropriately to each of these changes. Even during the COVID-19 pandemic, which has caused an uncertain future, we will continue all-out efforts to enhance our corporate value and contribute to the achievement of a sustainable, decarbonized society.

December 2021

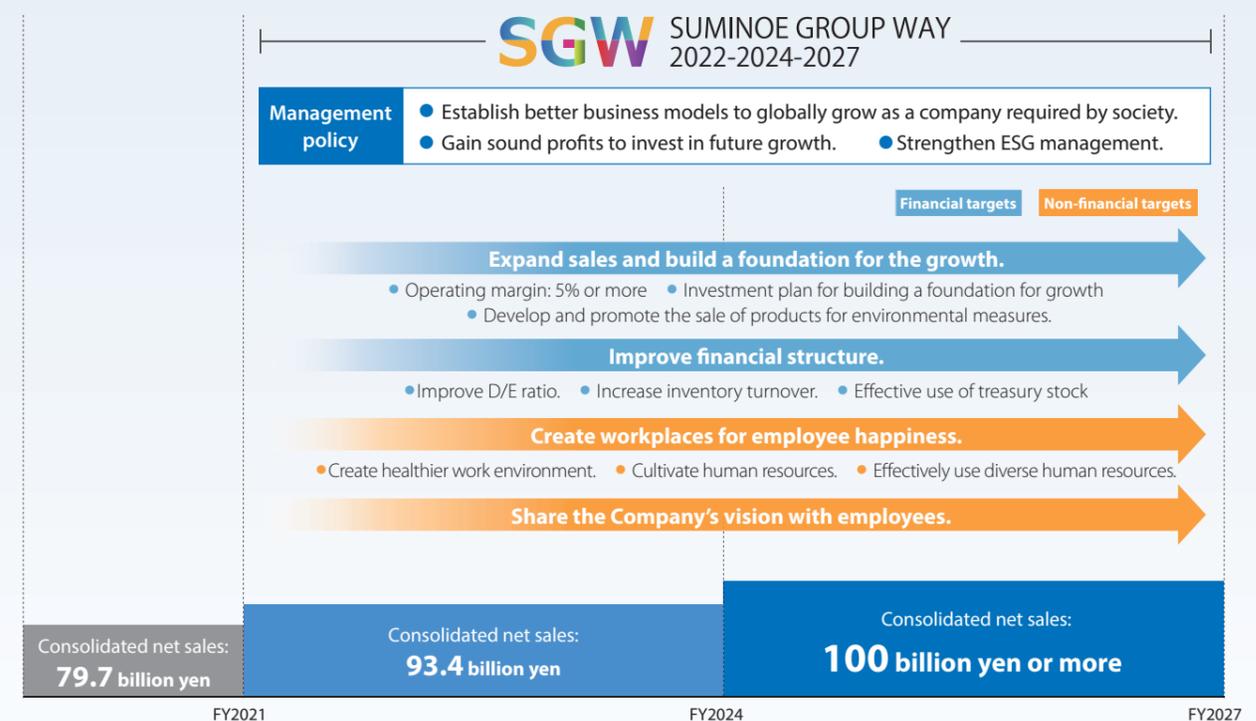
President 永田鉄平
Suminoe Textile Co., Ltd. Tepei Nagata

Focusing on our medium- and long-term "ideal corporate image," we have established our policy through the fiscal year ending May 2027.

Suminoe Textile Co., Ltd. formulated "SUMINOE GROUP WAY 2022-2024-2027," Medium- to Long-term Management Targets (SGW), toward which we began to work in June 2021. We will combine the strengths of all employees of the Group companies to achieve these targets by increasing sales of products that meet social needs and promoting global management based on the ESG management that the Group has focused on to date.



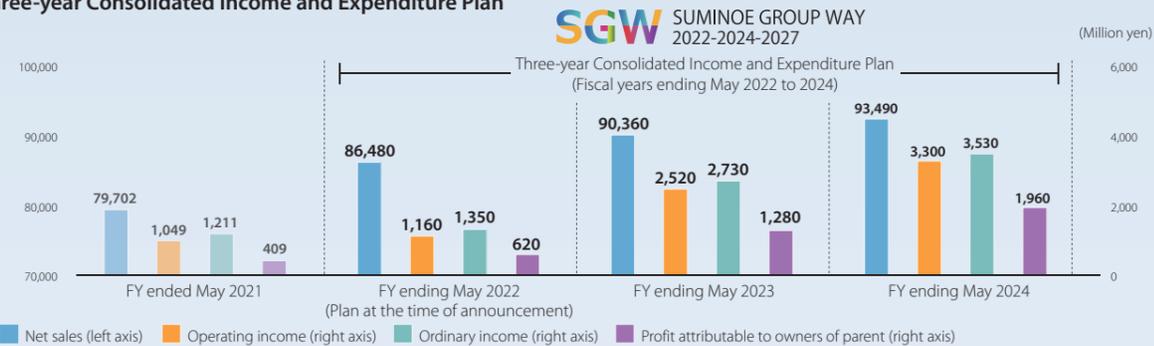
SUMINOE GROUP WAY POLICY



Overview of the Three-year Consolidated Plan (Fiscal years ending May 2022 to 2024)

With ESG management in mind, the Group will develop and promote the sale of products that contribute to a decarbonized society and products with antibacterial and antivirus effects in each business segment. The Group will also endeavor to improve productivity and competitiveness, aiming at further efficiency by strengthening the management base and at the same time reorganizing offices through restructuring of core systems.

Three-year Consolidated Income and Expenditure Plan



Numerical Targets by Business Segment

		Actual results	Three-year Consolidated Income and Expenditure Plan (Fiscal years ending May 2022 to 2024)		
		FY ended May 2021	FY ending May 2022 (Plan at the time of announcement)	FY ending May 2023	FY ending May 2024
Interior Fittings	Net sales	31,024	33,750	34,430	35,120
	Operating income	579	400	450	520
Automotive Textiles and Traffic Facilities	Net sales	45,102	48,980	51,910	54,170
	Operating income	2,102	2,800	3,590	4,170
Functional Materials	Net sales	3,130	3,410	3,680	3,840
	Operating income	-87	-140	150	190

Investment Plan

The Company will make investments equivalent to 10 billion yen in total for the expansion of business, restructuring of core systems and the reorganization of offices during the three years from the fiscal year ending May 2022 to the fiscal year ending May 2024.

Initiatives for ESG

Environment

Initiatives for Reduction of CO₂ Emissions

We have focused on initiatives for the reduction of CO₂ emissions through products manufactured by the Group since we developed スミトロン® (SUMITRON) in 1990.

In June 2021, we established the "Visualization Committee on the Reduction of CO₂ emissions" to further enhance the reduction of CO₂ emissions and the lowering of environmental load.

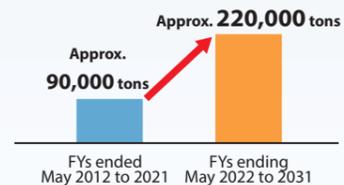
Volume of contribution to the reduction of CO₂ emissions through products

- Circulation-type recycling of carpet tiles
- Increase the use of recycled fibers, such as スミトロン® (SUMITRON).
- Increase the use of yarn recycled from PET and recycled resin materials.

Reduction of CO₂ emissions in business activities

- Improve logistics systems and unify the production bases.
- Improve energy efficiency and change fuels used.
- Working style reforms

ECOS®, carpet tiles under the horizontal recycling system Volume of contribution to the reduction of CO₂ emissions over 10 years



Development of Eco-friendly Products

We will contribute to a decarbonized society by accelerating research and development under the development philosophy of "K (Kenko meaning Health in Japanese), K (Kankyo meaning Environment), Recycle, plus A (Amenity)."

Examples of Eco-friendly Products that Contribute to the Reduction of CO₂ Emissions

ECOS®, carpet tiles under the horizontal recycling system

- Launched in 2011
- Achieved 84% at the maximum, which is the highest level of recycled materials used in the industry, and 43% at the maximum in the reduction rate of CO₂ emissions.
- Approximately 90,000 tons of CO₂ were reduced over the past decade.
- Approximately 220,000 tons of CO₂ are to be reduced over the next decade.



スミトロン® (SUMITRON)

- Polyester chips recycled from PET bottles are used as material by 50% or more.
- Useable for a long period of time due to excellent weather- and heat-resistance properties.
- Solution-dyed yarn is used for reducing environmental load.



Transition to Solution-Dyed Yarn

Traditionally, the piece-dyeing method, which required large amounts of water and electricity as well as dyeing effluent treatment, had been applied to dye pile yarn used for the surface of carpets. We have now shifted to using solution-dyed yarn (pigmented at the spinning stage), which reduces CO₂ emissions, requiring less water and energy and with no effluent problem in the production process.

Social

Initiatives for employees

- Improve workplaces for more safety and security.
- Diversity and inclusion
- Participation and cultivation of human resources
- Omnidirectional communication

Social contribution activities

- Contribution in cases of disasters
- Support and donation for poverty and starvation

Governance

- Restructure the core systems.
- Strengthen the managerial decision making by outside directors.
- Promote interactive in-house communication through top management's frequent visits to workplaces.
- Continue to conduct compliance training.
- Further disseminate the Corporate Ethics Hotline.
- Strengthen global risk management.
- BCP action plan

Initiatives to Be Enhanced during the Target Period

Reorganization of Nara Factory

We are working to reorganize the Nara Factory in order to seek higher efficiency by reorganizing the arrangement at the factory and to strengthen the cooperation between the Technical Center of Suminoe Textile and the Development Team of Suminoe Techno Co., Ltd.



The reorganization is expected to produce the following effects: productivity improvement by selling off unnecessary production facilities and concentrating the production facilities; improvement in efficiency of supply chains by increasing logistics warehouses and reducing the cost paid to external warehouses; enhancement of research and development through the construction of a new R&D building that will increase synergy effects between the business divisions and accelerate the development of new products; and reduction of environmental load by removing dyeing facilities and a wastewater treatment plant.

Enhancing Space Design Business

We will materialize our customer's requests at a higher level by expanding the business domain to the planning and design of the whole "space," not limiting it to production, sale and proposition of products that color the "surface."



Synergy effects have gradually become apparent since CPO Co., Ltd., which has in-depth expertise and excellent know-how concerning store design, joined the Group in 2020. Going forward, we will expand our business domains to not only stores in which CPO has strength but also nurseries, schools and medical facilities.