



Teppei Nagata
Suminoe Textile Group

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Photographed at: Foyer of the Hotel New Otani
Osaka, where a Suminoe Textile carpet is installed

Suminoe Textile Supports the “Last Touches”

What kind of value has Suminoe Textile created for 138 years since its founding? What should companies do to fulfill responsibilities to their stakeholders in the present day when sustainability is emerging as a global theme? About these questions, Teppei Nagata, the President of our Company, talked with Mr. Ken Shibusawa, Founder and Chairman of Commons Asset Management, Inc. and Chief Executive Officer of Shibusawa and Company, Inc., who is also known as a great-great-grandson of Eiichi Shibusawa.

Dialogue

What Is the Value Suminoe Textile Has Created to Date?

Shibusawa Speaking of Suminoe Textile, the first thing that comes to my mind is carpets. In actuality, however, the Company deals with interior textiles for various means of transportation, such as trains, buses and ships. Today I came here from Tokyo by Shinkansen bullet train. I realized anew that I was with Suminoe Textile products in the train as well.

Nagata Yes. Currently, our products are used in almost all kinds of public transportation systems, including aircraft. Originally, Suminoe Textile was Japan’s first company that manufactured hand-woven carpets. It was founded in 1883, around when Mr. Eiichi Shibusawa was playing an active role in the nation’s development.

Shibusawa Suminoe Textile was a start-up enterprise, just like the first modern bank in Japan founded by Eiichi Shibusawa. To indicate the presence of the start-up, Eiichi compared money, humans and other kinds of capital to “dew drops.” It is true that individual dew drops are tiny, but if many dew drops gather together, eventually they become a big river and have power to create a new society. He called this “*gappon shugi*,” which is translated as “stakeholder capitalism” (rather than traditional capitalism), although he is known as the “Father of Japanese capitalism.”

Nagata I see. By *gappon* he meant “bringing together capital.”

Shibusawa That’s right. In his famous book “*Rongo to Soroban* (The Analects and the Abacus),” Eiichi Shibusawa expressed his idea of producing new value by combining the Analects (morality) and the Abacus (profits), which are seemingly incompatible with each other. I believe that his basic attitude focused more on the “and” in “A and B,” rather than the “or” in “A or B.” The perspective of “or” is indispensable in conducting analysis and organizational operations since it can improve efficiency by separating something from something else. However, this alone cannot give rise to a new creation because no more chemical reaction will occur by separating things with “or.” On the other hand, the perspective of “and” has the potential for creating new value by connecting things that are seemingly contradicting and conflicting with each other, as in the case of “The Analects and the Abacus.” Do you think this way of thinking has something in common with the carpets that your founder manufactured by fusing Japanese technologies and western culture?

Nagata I certainly think so. During the Meiji Period (1868-1912), Japan introduced various western-style items in an attempt to catch up with western countries. Carpets were certainly one of them. Our Company started business in this field in its infancy and received orders for the manufacture of luxury carpets that were used in the Imperial Diet Building, the State Guest House and other renowned structures. Meanwhile, we also advanced into the field of interior fabrics, including carpets and seat covering materials for trains, ships and other public transportation systems,

which were becoming widely introduced nationwide. When the Osaka City tram line was launched in the mid-Meiji period, our Company delivered a seat covering woven with the city’s emblem, the Miotsukushi (a marker to warn ships away from shallows and sandbanks). Then the Company was flooded with similar requests from other municipalities, making it a popular trend to incorporate their emblems in seat cover designs for city trams nationwide. This is one of the anecdotes about us.

Shibusawa I know that later Suminoe Textile expanded into the automotive textile and other fields, ahead of other manufacturers.

Nagata Yes. In 1931 before World War II, our participation in the automotive industry began with supplying seat covering materials and floor carpets to General Motors and Ford Motor Company. During the postwar period of rapid economic growth, Suminoe Textile imported from the United States a dedicated machine to start mass production of carpets, which were high-end products until then. In this manner, the Company contributed to the widespread use of carpets in ordinary households.

Shibusawa I understand that your Company has expanded its business fields in line with the trends and needs of the times by steadily increasing the areas where its strength can be displayed, while leveraging its accumulated technologies.

Initiatives for the Environment in Advance of the Time

Shibusawa As for the trends of the times, last year the Japanese government announced its policy on carbon neutrality, pledging to “reduce greenhouse gas emissions in Japan to net zero by 2050.” Private companies are therefore increasingly urged to take measures to reduce CO₂ emissions or other environmental measures. What is the progress on Suminoe Textile’s initiatives?

Nagata In fact, our Company started to produce earth-friendly products about 30 years ago, when we became aware that we were about to enter the era of the environment.

Shibusawa That’s amazing. What made your Company develop environmental awareness?

Nagata At that time, while PET bottles quickly became popular as beverage containers, environmental pollution caused by discarded PET bottles began to emerge as a social problem. To address this problem, the Company purchased a polyester yarn spinning machine, which led us to the development of スミトロ[®] (SUMITRON) in 1990. This is a recycled yarn made of chips recycled from waste PET bottles, and we used this yarn in the surface pile materials of carpets.

Shibusawa I remember that in 1990, Japan was at the peak of the bubble economy. In the go-go bubble era, when people were in a festive mood, Suminoe Textile was implementing a very forward-looking strategy. As shown by the fact that it became the first to manufacture carpets in the early Meiji period, your

Company has maintained a corporate culture that encourages employees to actively take on new challenges.

Nagata In some cases, our Company may be too far ahead of its time (laugh). Even after the development of スミトロ[®] (SUMITRON), in 1998 the Suminoe Textile Group stipulated its development philosophy of “KKR+A (Kenko [Health], Kankyo [Environment], Recycle and Amenity). Our business fields deal with interior materials for living spaces, offices, hotels and public transportation systems. Since all of these interior materials may have some contact with the human body, we thought that they must be not only comfortable but also beneficial to people’s health and the environment.

Shibusawa If you are to meet various requirements, it would be more difficult to develop technologies.

Nagata You are right. The Company faced the greatest challenge when we worked on recycling of polyvinyl chloride (PVC). PVC is used on the back side of the carpet tiles installed in offices, etc. Conventionally, landfilling was the only method to dispose of PVC waste. To address this issue, we studied how to recycle PVC waste. As a result of much hard work, in 2011 we finally succeeded in developing a technology which enabled us to use chips recycled from waste carpet tiles as raw materials for new products. We have now achieved a recycled material ratio of up to 84%.

Shibusawa You speak of circular recycling. With the capacity of landfills in Japan approaching their limit, it is encouraging to learn that your Company is contributing to waste reduction through recycling of used carpets. I presume that it has also the effect of curbing CO₂ emissions.

Nagata It’s just as you say. We take an integrated approach, covering all processes from recycling to manufacturing, which has enabled us to generate fewer CO₂ emissions during raw materials shipment and to simplify the manufacturing processes. Consequently, when we produce 10,000 m² of carpets, CO₂ emissions can be reduced by 40-50 tons. The wider the spread of recycled products, the lower the CO₂ emissions. As such, we believe that this initiative will help resolve the issue of climate change. Moreover, the Group discontinued “dyeing” of pile yarn used for the surface of carpets in 2020, as part of our efforts for environmental protection.

Shibusawa What do you mean by “discontinue dyeing”?

Nagata Traditionally, woven white carpets were dyed various colors. We have now shifted to using solution-dyed yarn, which is pigmented at the spinning stage. This transition has not only reduced energy consumption during the production process but also saved energy for purifying dye-contaminated wastewater.

Shibusawa That makes sense. Still now you are ad-



...dressing various other themes, aren't you?

Nagata Yes. For instance, a project for recycling discarded nylon fishing nets is currently under way. Since nylon nets are non-biodegradable, if left in the ocean, these nets will adversely affect ecosystems and the environment. Under this project, we are engaged in activities to collect these abandoned nets and recycle them into new yarn, in collaboration with partner companies and members from a fisheries cooperative association in Hokkaido. We have already started to make bags, pencil cases and other products using yarn recycled from discarded fishing nets (see p. 46). This bag is an example of such products.

Shibusawa What a fashionable bag! I wouldn't have noticed that it was made from discarded fishing nets if you hadn't told me.

Growth Strategy Looking Ahead to a Sustainable Future

Shibusawa Eiichi Shibusawa's “*Rongo to Soroban* (The Analects and the Abacus)” can be translated as “Sustainability” in modern-day language. Any business cannot be sustained without using the Abacus (for profit-loss accounting). However, a business that seeks its own Abacus (profits) alone will not last, too. We can sustainably continue a profit-making business only when it is accompanied by the morality. In this sense, I believe that morality was the one thing that he could not compromise on. What are the things that your Company cannot compromise on?

Nagata Primary among them is comfort since our products are assumed to be touched by people. In the case of carpets, we are uncompromising in pursuing greater foot comfort and soil-resistance. In the case of car seat coverings, we work hard to

make them more comfortable to sit on and to enhance their function to prevent the seats from getting sweaty. We consider human-friendliness to be the fundamental requirement for fabric products.

Shibusawa I think that Suminoe Textile falls in the category of the so-called “100-year-old companies.” These companies have survived not by repeating the same thing for 100 years but by constantly evolving themselves, keeping pace with the changing times, while preserving tradition and valuable and time-tested technologies. While listening to you, I feel that adding new value to traditional products serves as the driving force behind the growth of your Company. What kind of changes and evolutions are now taking place in your Company?

Nagata One example is the space design business. As exemplified by the growing office trend of hot desking, the state of “space” is expected to change in society in the future. Thus far, our Company has produced products that color the “surface,” such as carpets and wallpaper. However, now we are expanding the business domain to the planning and design of the whole “space,” not limiting it to the conventional businesses. At present, the space design business mainly deals with stores in commercial facilities. Going forward, we are planning to expand our business domains to include hotels and offices.

Shibusawa “Space” can stimulate people's sensitivity and emotions. In my opinion, humans are after all very analog and sensitive creatures. It is true that a digital society brings about an increase in the efficiency of information transmission. However, I think analog—something like the “last touches” that only humans can provide—will eventually prove to be more appealing to people. Probably, as society becomes more digitalized, “space” will become more important for us.

Nagata Vehicle interior spaces may undergo further changes. If an autonomous driving system that can automatically take us to a destination by just pressing a button is realized, vehicle interior spaces may become more gorgeous, just like the interiors of a high-class hotel. The Company has offered comfort for living spaces, commercial spaces, and transportation spaces by taking different approaches suited to each type of space. In this manner, we have accumulated technologies and findings in the respective fields. By bringing together these assets, we are now promoting a project to explore new vehicle interior designs.

Shibusawa That's true. In a future world where completely automated driving has been realized, there is no need for all vehicle occupants to sit in forward-facing seats. This business is possible only for the Suminoe Textile Group, which handles both interior fittings and automotive textiles.

Visualization of “Invisible Value”

Shibusawa So far, I have heard from you about various initiatives of your Company. They are your business strategies and

also include non-financial aspects that are called “ESG (environmental, social, and governance)” activities. What is the element that you think is most important among non-financial aspects in order to achieve future corporate growth?

Nagata I think that “human resources” should be prioritized in our efforts to enhance our corporate value. Human resources development has been designated as a priority issue in the CSR Plan, which the Suminoe Textile Group has formulated annually. In the Medium- to Long-term Management Targets announced this year (see p. 6), we have set targets related to employees and laid out the policy of further intensifying our efforts to realize a better work environment and human resources development.

Shibusawa A company has two types of value: financial value that can be visualized and non-financial value that cannot be visualized. My view is that financial value is merely the tip of the iceberg, and non-financial value corresponds to the rest of the iceberg that is underneath the water and cannot be seen. Human resources are included in this non-financial value. It is human resources that enable a company to create value for the future. In this sense, I would like to suggest that a company should highlight its human resources, saying “We can realize our vision because we have such capable employees” when expressing what kind of value it wants to create and propose.

Nagata I see. If such portions are made visible for investors, it will surely result in a favorable evaluation from them.

Shibusawa Yes. By clearly showing investors the value that is usually less visible, you can persuade them that your Company has potential for the future and earn their high regard. However, it is difficult to convert this invisible value into numbers.

Nagata I quite agree. I would be at a loss as to what to do if I were requested to visualize our Company's tradition or employees and expertise that support our product quality by converting their value into numbers.

Shibusawa This is what I myself had wondered as an investor. Recently, however, I have come to realize that it is not always necessary to show accurate figures and that what is important for a company is its attitude in seriously considering the best way to visualize the value that was previously invisible. In that process, the company may discover a new issue to be addressed.

Nagata I see. While seriously thinking it through, I feel that our Company will be able to make various findings.

Products That People Cannot Do without = Value Required by Society

Shibusawa To tell you the truth, it may be employees' families who should know the most about such information. It is very important for both employees and their families that their families know about the company for which they are working. By ensuring that employees can continue to work comfortably, the company can continue to produce value in a sustainable manner. It will also turn out to be beneficial for shareholders and investors.



Nagata So, this CSR Report is one example of the means for appealing to our stakeholders.

Shibusawa From the viewpoint of investors, let me make some more comments. Suminoe Textile has continued to cope appropriately with the changing business environment. This is also one of the important appealing points of your Company. Moreover, this dialogue reminds me that Suminoe Textile products are used by many people everywhere in their daily life. This means that your Company has been sustainably providing products that people cannot do without—that is, value required by society. I recommend that you should promote this advantage more aggressively.

Nagata Thank you for your advice. I have learned that our efforts to vitalize and further enhance our non-financial value that is less invisible will result in improving both our financial value and our corporate value as a whole. In the future, we will continue to seek methods of appropriate information disclosure to help all our stakeholders deepen their understanding of the Suminoe Textile Group. Thank you very much for sparing me your time today.

Profile of Mr. Ken Shibusawa

Chief Executive Officer, Shibusawa and Company, Inc., Founder and Chairman, Commons Asset Management, Inc. He earned his MBA from the University of California, Los Angeles in 1987. After working for several firms, including a major US hedge fund, where he held the position of Japanese representative, Ken Shibusawa founded Shibusawa and Company, Inc. in 2001. Later he established Commons, Inc. (now Commons Asset Management, Inc.) in 2007 and became its Chairman in 2008.

U.S.A.



Greenville area

Global Expansion

Introduction of an Overseas Affiliate: Bondtex, Inc.

In the Automotive Textile, 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 Bondtex, Inc.

Bondtex, Inc. was established in 1986 in South Carolina, the United States. It is mainly engaged in flame lamination of medical, interior and automotive products. In 2015, Bondtex joined the Suminoe Textile Group, changing its status from a local company to a member of a global enterprise. To fulfill this new role, Bondtex has been diligently working every day. Last year, the company introduced a new flame-laminating machine so as to enhance its product quality and competitiveness. Based on these advantages, Bondtex conducts daily operations, always seeking to win new business.



Surrounding Environment of Bondtex, Inc.

Bondtex is located in the Greenville area, which had prospered in the past as a center of the textile industry. From the late 1970s, along with the declining industry, Greenville's population had decreased each year. However, later a major European automobile manufacturer decided to select this area as the site of its North American plant. This encouraged many companies to establish their operation facilities here, as in the past. Many European people immigrated to Greenville, causing an increase in its land and building prices. However, the area's attractive features more than compensated for the high real estate costs. Greenville is a comfortable place to live in. Its climate is not very different from that of Japan, except for the spring and autumn periods, which are two weeks shorter than those of Japan. "Southern hospitality" is a phrase used to describe the stereotype of residents who have lived here for a long time. Many of them are friendly, kind and gentle. If you live here, you would have many opportunities to realize it firsthand. Another feature of Greenville is a well-developed educational system. For these reasons, Greenville now enjoys great popularity and has consistently ranked high in the Best Places to Live in the U.S.

Social Contribution Activities

Bondtex serves as a sponsor of the Bass Fishing Club of Dorman High School, a local educational institution, and the Spartanburg United Soccer Academy, a soccer academy for boys and girls. Through the sponsorship, the company contributes to local children's growth and health promotion. In addition, Bondtex makes donations to the Children's Miracle Network, which

provides support for kids who are fighting intractable diseases at children's hospitals nationwide by funding costs of treatments, etc. It also extends financial assistance to Mobile Meals of Spartanburg, a welfare organization that delivers lunch to those who have difficulty working due to accident injuries, welfare recipients, and the like.

Impact of the Novel Coronavirus Pandemic and Infection Prevention Measures

A number of Bondtex Inc. employees were confirmed to be infected with the novel coronavirus (COVID-19). Among them were those who got infected when they went to church on the weekend. These cases reflect religiosity that is a characteristic of people living in this area. In many other cases, infections occurred while gathering at home with their families and friends on the weekend. However, Bondtex has been successfully preventing the occurrence of cluster infections within the company by continuously taking various measures. These include a mask mandate at work, disinfection in common areas (dining lounge, rest rooms, and doors), replacement of air conditioner filters, and providing sanitizers at every entrance. Moreover, at the beginning of April, the US government announced the COVID-19 vaccination campaign for all citizens aged 16 and older. Due to the spread of vaccination, the number of newly infected people has dramatically decreased in Bondtex since April.

While expecting the beneficial effects of vaccinations (including the third booster shot), Bondtex will continue its ongoing measures, with the aim of reducing the number of new infection cases to zero.



Bass Fishing Club of Dorman High School



Spartanburg United Soccer Academy



Downtown Greer
A town in the neighborhood of Bondtex, Inc. Here, buildings constructed more than 60 years ago were renovated, and restaurants and a local beer brewery stand in a row.

Yoshihiko Noda, joined the Company in 1990



From the right in this photo, Noda, Director Marc, and Factory Manager Beth

It's my eighth year living in the United States since I was transferred to Suminoe Textile of America (STA) in January 2014. In 2019, I started to work for Bondtex, Inc., where I am in charge of overall operations. While working in this country, I have been particularly impressed with the vastness of the United States, which has four time zones. Currently, I live on the east coast. To travel to a different time zone—e.g., the State of Texas or Tennessee, which is one hour behind the east coast, or the west coast, which is even three hours behind—I have to overcome jet lag that sometimes makes me exhausted. Blessed with such a vast and fertile land, the United States has an increasingly high birth rate. It is said that the stable consumption economy will continue to support American society. Although lifestyles have changed somewhat under the influence of the COVID-19 pandemic, I will strive to stay up-to-date on these changes and pave the way for my future career during my stint in this country.