



Enhancing Governance

Establishing a Trustworthy Corporate Foundation—Fair and Sound Management

Corporate Governance*

Governance System

To secure the soundness and efficiency of management, we have been appointing outside directors and strengthening the function of the corporate auditor system. The Board of Directors functions as a body for making management decisions in a speedy and agile manner and for overseeing the status of business execution. The Company has also introduced an operating officer system, under which operating officers are held responsible for business execution. In this manner, we ensure the effectiveness of governance.

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

CSR Promotion System

The CSR Promotion Committee is an organ that plays a central role in promoting CSR initiatives. The Committee holds its meetings four times a year at the Head Office of Suminoe Textile Co., Ltd. At these meetings, the Committee members make decisions on the policies for CSR-related activities, deliberate on each subcommittee's activity plans, and confirm their progress.

They are also engaged in discussions on the medium- to long-term recurrence prevention plan and check its progress. In so doing, the Committee works to enhance governance and compliance.

Individual subcommittees conduct a series of lively discussions in order to identify the CSR issues to be addressed and implement specific measures to tackle these issues.

Board of Directors

The Board of Directors comprises nine directors (including four outside directors) and supervises business execution and makes decisions on important matters.

Board of Corporate Auditors

The Board of Corporate Auditors consists of three auditors (including two outside auditors). The Board decides auditing policies and plans and deliberates on audit reports.

Nomination and Remuneration Committee

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

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

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

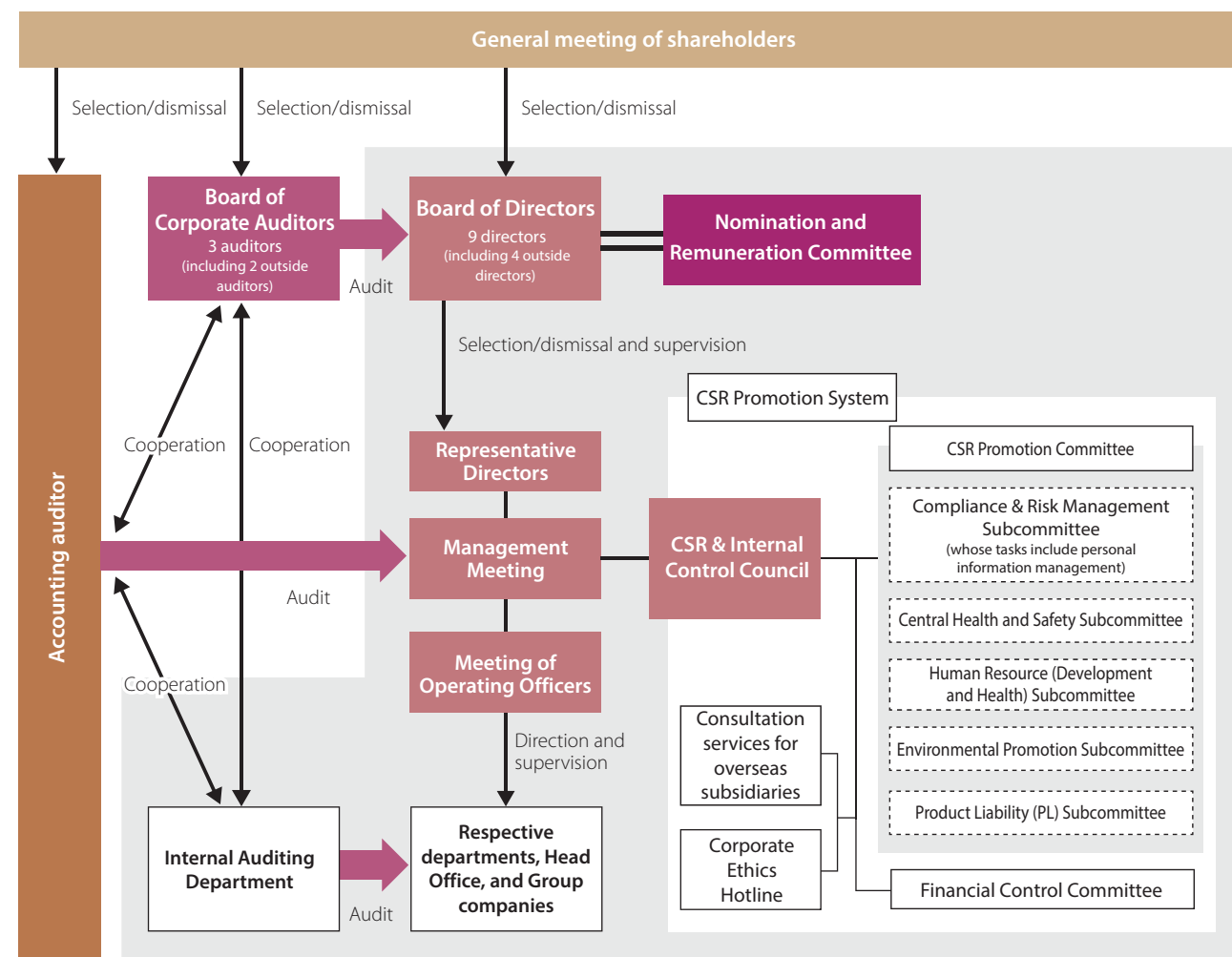
Management Meeting/CSR & Internal Control Council

A Management Meeting is held every week, in principle, to report and deliberate on important management matters. Matters of particular importance will be reported to the Board of Directors. CSR-related important matters and evaluation of internal controls concerning financial reports are discussed at a meeting of the CSR & Internal Control Council. The meeting is attended by one full-time corporate auditor as an observer.













Meeting of Operating Officers

The Meeting of Operating Officers comprises President and operating officers of Suminoe Textile Co., Ltd., and holds its meeting once a month. At the monthly meeting, the decisions made by meetings of the Board of Directors or by the Management Meeting are announced, and reports are made on the present status of business execution by each operating officer.

Corporate Governance and CSR Promotion System



Management

					
Ichizo Yoshikawa Chairman	Teppei Nagata President General Manager, Interior Textile Business Headquarters	Hiroaki Usugi Managing Director General Manager, Administration Headquarters	Toshiro Maruyama Director General Manager, Automotive Textiles Business Headquarters	Eiichiro Kimura Director General Manager, Development Department Representative Director, Suminoe Techno Co., Ltd.	Kiyokazu Ichikawa Corporate Auditor
					
Haruo Shimizu Outside Director Outside Director (in charge of Audit Committee), Bando Chemical Industries, Ltd. Outside Director, Ashimori Industry Co., Ltd.	Kohei Nomura Outside Director Representative Attorney, Nomura & Partners	Koichi Makino Outside Director Senior Operating Officer, Takashimaya Co., Ltd.	Yumiko Oida Outside Director Director, BRAIN Co., Ltd.	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.

G Enhancing Governance

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.

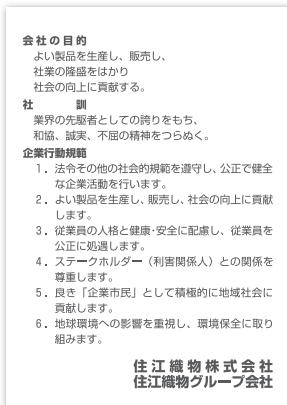
In keeping with the basic policy, officers and employees of the Suminoe Textile Group strive to ensure that their own ways of thinking and behavior are always in compliance with laws and corporate ethics.

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. This fiscal year, we organized a workshop for the Hokkaido Block of the North Japan Branch, SUMINOE Co., Ltd., which is one of the Group's Interior Business Headquarters, with 30 trainees participating. At the workshop, explanations were given about the risks underlying their work and the misconduct risks, citing many examples from the viewpoints of compliance in the sales department. These trainees shared their awareness of the importance of compliance and the significance of a sense of ethics.



Employees receiving compliance education (Hokkaido Block of SUMINOE Co., Ltd.)

Fair Trade

Implementing Compliance Training for Officers

The Suminoe Textile Group conducts daily operations with fair transactions in mind, aiming to grow as an enterprise trusted by our suppliers. This fiscal year, we implemented a compliance training session for officers, with a lawyer invited as the lecturer. The training theme was "Cartels and Bid-riggings," which are among the prohibited acts prescribed in the Anti-Monopoly Act. Corporate officers are obliged to monitor and supervise employees to prevent them from being engaged in unreasonable restraint of trade and to establish the system for these purposes. This training provided officers opportunities to collect information on the recent trends and legal revisions concerning the Anti-Monopoly Act while recognizing anew the importance of fair transactions. The Group will continue these efforts to ensure fair business transactions in the future.



Compliance training session held both face-to-face and by video conferencing

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	2019	2020
Corporate Ethics Hotline	1	1
Outside attorney	1	0
Health consultation service (consultation on harassment)	2	2
Harassment consultation contact point	0	0
Total	4	3

Questionnaire Survey on Workplace Comfort (In-house Employees' Opinion Survey) 2021

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. The survey results are compiled to assess the progress of CSR activities and utilize the results for future initiatives.

In this year's survey, general employees who agreed with the statement "I feel strongly that I want to work at my present company for a long time" increased by 0.04 points from the previous year, and their supervisors who agreed with the same statement

increased by 0.13 points. The survey results also indicate an annual improving trend in terms of the appropriateness of working hours, overtime pay, and the ease of application for leave. As for questions regarding "staying in the same job too long" and "promoting women's empowerment," we saw only slight improvement as in the previous years. We will take continuous measures to address these issues as primary themes to revitalize human resources.

The 2021 survey asked respondents to write free comments in answering questions about "compliance," "workstyle reforms," and "information sharing and communication." We were able to compile many opinions and issues, partly because of the changes in the questionnaire compilation method. Many comments were submitted regarding working from home and staggered working hours, both of which are systems that have been temporarily implemented during the COVID-19 pandemic. To develop better work systems in the future, we will discuss what these systems should be and how to evaluate them.

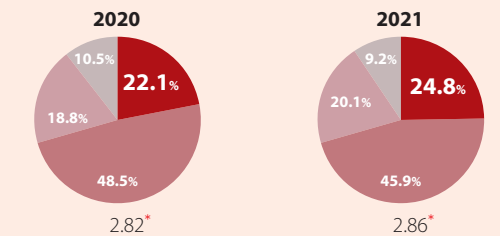
A summary of the questionnaire results is reported to the Management Meeting, the Meeting of Operating Officers, and the responsible personnel in each department. The summarized results are also made accessible to employees through the in-house intranet.

Major Responses to the Survey (Results of General/Contract Employees)

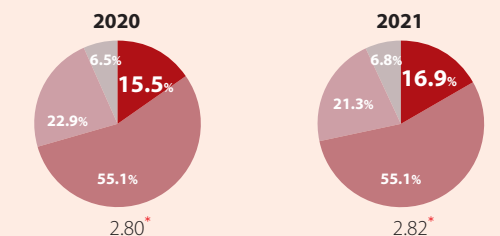
All Group employees both in Japan and overseas were targeted. Questions were asked in eight categories, including "work," "workplace," and "corporate culture," and each question was answered in two ways: four-grade multiple choice and free comments. Note that responses from overseas employees are not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

Legend: Agree: 4 points (Dark Red), Somewhat agree: 3 points (Red), Somewhat disagree: 2 points (Light Red), Disagree: 1 point (White)

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 reported to 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

SPM Automotive Textile Co., Ltd. (SPM) in China has conducted risk management activities each year to identify risks and make improvements to mitigate them. In its eighth year of these activities, SPM is focusing on "Improvement of cost competitiveness" this fiscal year. To address risks related to this theme, the company has formed groups, each of which works on specific tasks, such as "improving processing efficiency" and "reviewing procured materials." Respective groups are headed by selected persons in charge. In their departments, these persons hold discussions to identify issues requiring improvements, based on which their targets are established. Every month, each group closely examines its activity results, and if they fall short of the targets, it will consider if there are any additional issues requiring improvements. In doing so, SPM strives to produce results more securely and attain their risk management targets.

In addition, SPM is in the process of introducing a new production management system designed to facilitate risk reductions, with the system concurrently being introduced into PT. Suminoe Surya Techno (SST) in Indonesia. As is the case at SST, the new system is expected to reduce risks at SPM primarily through improving inventory management accuracy and strengthening internal control. The system will also lighten employees' workload by linking its data with those of the financial accounting software and the fabric inspection system, both of which have already been introduced.

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

ISRP (Information System Reengineering Project)

Promoting 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.

This fiscal year, we have revised the conventional production management system package into a system with management functions specifically tailored to the textile industry. At present we are working to apply the new system to other operation sites in a simple and smooth manner.

In Japan, this new system has been in operation since February 2021 at the Traffic Facilities. We can see some positive effects, such as the visualization of order status and reduction in faxes through the effective use of data in the system that also covers textile factories. The procurement department of Suminoe Teijin Techno Co., Ltd. has entered the detailed design stage after completing requirements definition (the task of clarifying the necessary functions and requirements and putting them together). The department is making a detailed design, aiming to construct a system including the visualization of commercial warehouse and future inventories, toward the integration of production and sales functions in view of the future establishment of a sales support system and its application across the Group.

Overseas, this new system is being introduced into PT. Suminoe Surya Techno (SST) and SPM Automotive Textile Co., Ltd. (SPM). Now that requirements definition has been completed, detailed designing is currently under way. As for SST, its progress has been significantly affected by the COVID-19 pandemic, which prevents us from facilitating the introduction process of the company face-to-face, creating an unpredictable situation. Nevertheless, we have started an on-site operational test at SST by explaining to the local employees about how to operate the new system using a video we had newly created. Through such measures, we are working with SST local personnel to ensure that the new system will go into full-scale operation after a two-month period for parallel running of the current and new systems.

Intellectual Property Management Efforts

Promoting Understanding and Awareness of Intellectual Property Rights

Intellectual property rights include patents, utility model rights, design rights and trademarks. Since each of them has different protection targets and periods, you should choose the most appropriate intellectual property right for the assets you are going to protect. For this reason, we strive to raise awareness

and promote understanding of intellectual property rights among employees.

For new employees, we introduced the intellectual property rights used in their surroundings and gave explanations on the Company's examples where these rights are utilized. In addition, at regular technical meetings held between the Nara Factory and the Head Office, we present related patent information and topics on intellectual property rights, such as partial amendments to the Patent Law and effective systems provided under the Patent Law.

We also publish the Intellectual Property News on the in-house intranet as part of our efforts to provide intellectual property education for employees regarding how to use and protect trademarks, the registered trademark symbol (®), etc.

Going forward, we will work to continuously conduct intellectual property education in order to protect the rights to technologies of the Group.



Technical meeting held at the Head Office, both face-to-face and online

Progress in Preparation of Business Continuity Plans (BCPs)*

Implementation of Personal Safety Confirmation Drills

In the event of a disaster, disseminating information to customers speedily and accurately is key for us to maintain customer trust as a company. Based on this idea, our Group has been working to establish its business continuity plans (BCPs), focusing on collecting information, such as that on 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 3, 2021, the Company carried out a personal safety confirmation drill, and the emergency headquarters were able to swiftly confirm the safety of all employees.

* 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.

Trade Secret Management

Strengthening the Trade Secret Management System by Revising the Regulations

It is said that while various companies attach importance to information security, there is a growing risk of leaking trade secrets* due to the prevalence of working from home.

The Suminoe Textile Group has also introduced teleworking as part of its measures to prevent the spread of COVID-19 infections. On top of this, the amount of electronic data on trade secrets has been on the rise each year. It is therefore urgently needed for the Group to strengthen its trade secret management system.

To cope with such situation, we revised some regulations relating to trade secrets. Prior to making the revisions, the Compliance & Risk Management Subcommittee invited opinions about the future management system from employees of respective departments, including those of Group companies. The aim was to reflect the opinions collected from individual workplaces in our initiatives to strengthen trade secret management while taking into account work efficiency.

Meanwhile, we provided explanations about these revisions by holding face-to-face and online sessions to remind employees of the importance of trade secret management and ensure that all employees are aware of the new regulations.

The Group will continue its activities to reinforce its trade secret management.

* Trade secrets: Technical or business information that is kept secret and useful for business activities



Face-to-face and online explanatory session