

Suminoe Textile Group Integrated Report 2022

Suminoe Textile Co., Ltd.

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Suminoe Textile Group's products are found here, there and everywhere.

To make your everyday life more comfortable, safer and smarter, we will continue to play an indispensable role in people's lives and society.

The Suminoe Textile Group is a pioneer manufacturer of textiles for interior use in Japan. Throughout its history of more than 130 years since its inception, the Group has always produced products that come in contact with people. Featuring outstanding design, functionality and safety performance, our diverse products have continued to support amenity spaces and enriched lifestyles. We have also worked to contribute to society through sustainable manufacturing of eco-friendly products, as exemplified by the development of a one-of-the-kind carpet tile recycling technology.

Just as we have always done, we will continue to provide value that only we can create, everywhere in people's lives and society.



Interior Fittings

Providing comfortable and functional interior products

Curtains | rugs and mats | carpets | wallpaper | sliding paper doors | arts and crafts textiles | dancho (plush hand-woven carpets that separate a stage from the auditorium) | dantsu (hand-woven carpets and hooked rugs)



Automotive Textiles

Adding higher value to automotive textiles

Ceiling materials | seat covering materials | car mats | floor carpets



Traffic Facilities

Supplying a total line of interior materials for public transportation facilities

Seat covering materials | seat cushion materials | carpets | floor signage film | curtains



Functional Materials

Offering new functional products that are friendly to human health and the environment

Fabric-coated heating products | deodorizing filters | floor materials for bathrooms | interior materials for aircraft



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.

This year, we have begun to publish the Integrated Report in order to inform a broad range of stakeholders of how the Suminoe Textile Group creates value in the medium and long term and what kind of initiatives the Group promotes to enhance its corporate value.

This report provides financial information, including management strategies to achieve sustainable growth as well as a business overview and the performance of the Suminoe Textile Group, and non-financial information on its specific sustainability and ESG initiatives. By disclosing such information in an integrated manner, this report aims to help stakeholders deepen their understanding of the Group.

Referenced Guidelines

ISO26000 Guidance on Social Responsibility
 Guidance for Collaborative Value Creation, published by the Ministry of Economy, Trade and Industry (METI) of Japan
 International Integrated Reporting Framework, published by the International Integrated Reporting Council (IIRC)

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.

Period Covered

Fiscal year 2022 (From June 2021 to May 2022)
 (Some activities undertaken outside the above period are included.)

Information Disclosure System



Disclaimer about Forward-Looking Statements

Among all the current plans, strategies, and judgments that are included in this Report, those which are not historical facts represent our forecasts for future performances, etc. These are on the basis of assumptions and judgments based on information currently available for the Suminoe Textile Group and may thus contain risks and uncertain factors. Please be advised, therefore, that the Group's business results that will be publicly announced in the future may differ significantly from the forecasts due to various factors.

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* Average figures of Group companies only in Japan

Founded

1883

Net sales (Fiscal year 2022)

81,713 million yen

Capital (As of May 31, 2022)

9,554 million yen

Interior Fittings	32,811 million yen	Automotive Textiles and Traffic Facilities	45,005 million yen
Functional Materials	3,548 million yen	Other	349 million yen

Number of Employees (As of May 31, 2022)

In Japan: **1,551** (Consolidated Group companies: 2,640)

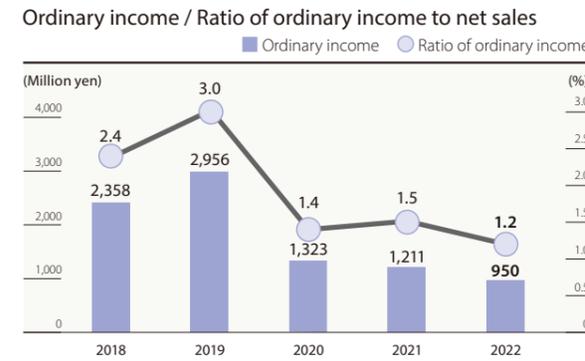
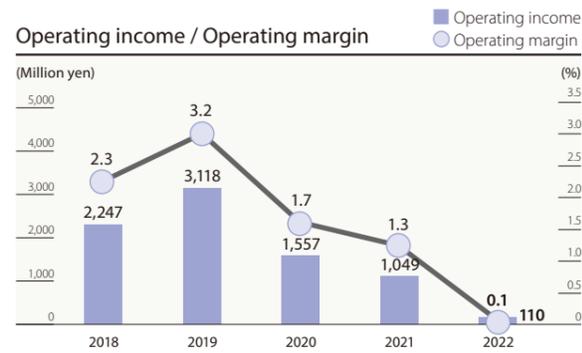
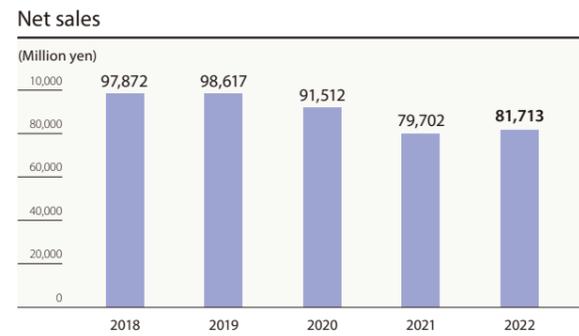
Overseas: **1,089**

Gender: Male 62%, Female 38%

Average age* 45.6 years old

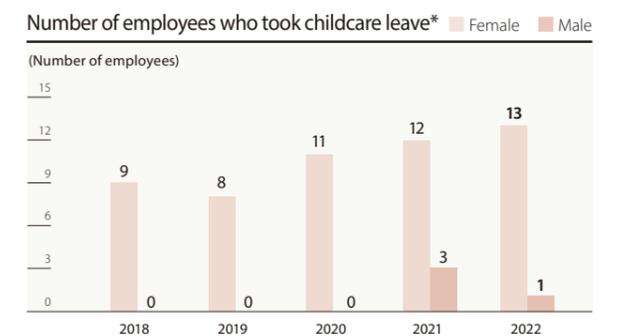
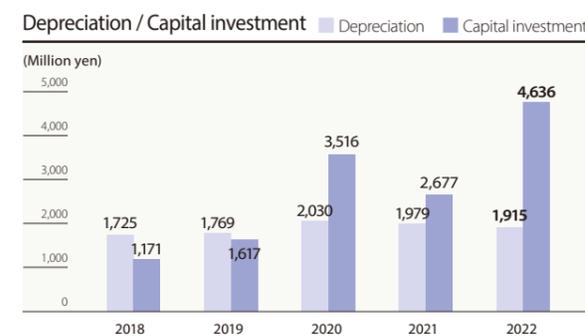
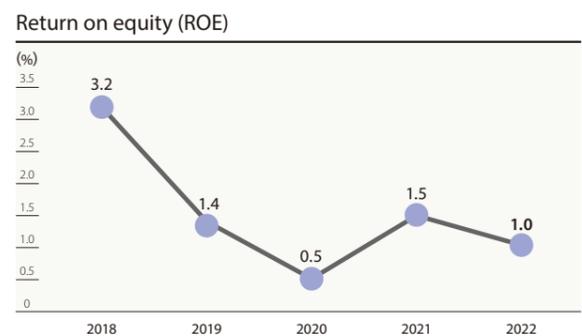
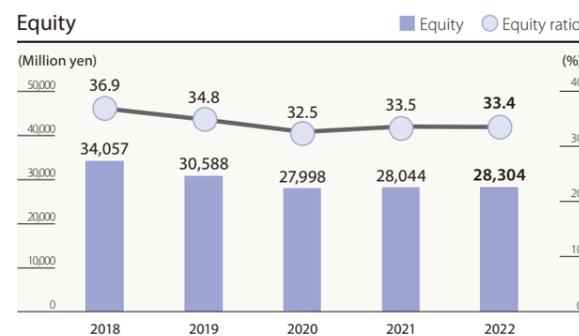
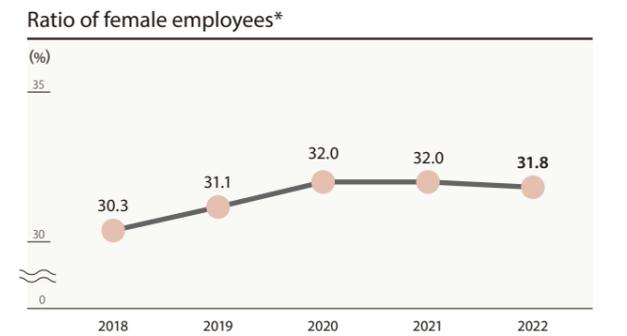
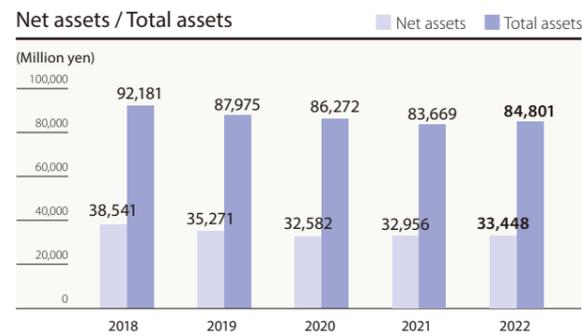
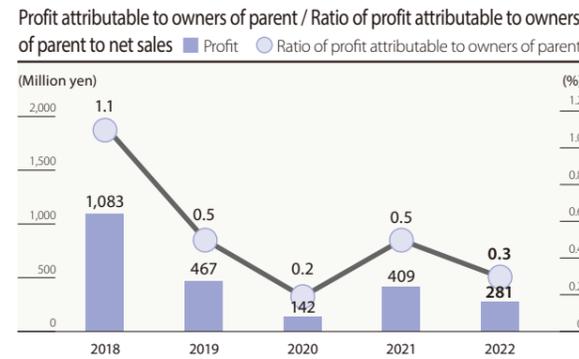
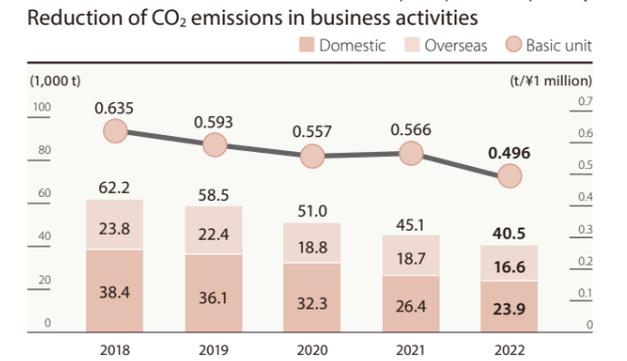
Average length of service* 15.5 years

Financial Data (for each FY ended May 31)



Non-financial Data (for each FY ended May 31)

* Group companies in Japan only



Suminoe Textile was founded by rice dealer Denshichi Murata, who opened the Murata Factory in 1883 in Sumiyoshi Village, Higashinari-gun, Osaka Prefecture (now Sumiyoshi Ward, Osaka City).

This small factory in a private household was receiving orders for interiors for railway cars and ships, and even for the Imperial Diet Building, heralding the dawn of Japan's carpet industry.

1880s	1900s	1930s	1940s	1970s	1990s	2000s	2020s
Contribution to Japan's Modernization			Popularizing Interior Fabrics in Common Households		Offering One-of-a-Kind Products to Customers around the World		
Industrial Revolution in Japan	Taisho Democracy	World Depression World War II	High economic growth period	Period of increasing globalization Bubble economy Manifestation of environmental problems	Collapse of the bubble economy IT revolution	A declining birthrate and aging population	Novel coronavirus (COVID-19) pandemic
History of the Suminoe Textile Group							
1883 Murata Factory founded. Manufacture of handwoven carpets begins in Sumiyoshi, Osaka. 1892 The Company's first patent obtained for carpet weaving, "Yamato-ori."	1903 Sumiyoshi Factory with full-scale weaving facilities established. 1913 Suminoe Textile Joint-Stock Company established. 1916 Manufacture of carpets using power looms begins.	1930 Suminoe Textile Co., Ltd. established. 1937 Kawachi Factory established, where woolen spinning begins.	1949 Shares listed on the Tokyo, Osaka, and Kyoto stock exchanges. 1954 First to introduce to Japan a tufting carpet machine from the U.S.	1971 Nara Factory (now Nara Factory of Suminoe Techno Co., Ltd.) established, and Sumiyoshi Factory closed. 1987 Shiga Office established.	1994 T.C.H. Suminoe Co., Ltd., the Company's first overseas base, established as a joint venture in Thailand. 1998 Suminoe Textile Group "SUMINOE Environmental Declaration" and "KKR+A" announced.	2003 Suminoe Textile of America Corporation established in the U.S. 2005 SPM Automotive Textile Co., Ltd. established as a joint venture in China. 2009 Suminoe Teijin Techno Co., Ltd. established as a joint venture. 2013 Suminoe Techno Co., Ltd. established.	2020 Shares of CPO Co., Ltd. acquired. 2022 Shares of PRETERIOR-TEXTILE Inc. acquired, which becomes a subsidiary of Suminoe Textile Co., Ltd. Shares of Seki Textile Co., Ltd. acquired, which becomes a subsidiary of Suminoe Textile Co., Ltd.

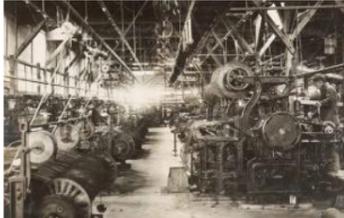
Value Offered by the Group

1891



● Winning acclaim for Dantsu carpet-weaving techniques
Winning acclaim for its manufacturing techniques, the Murata Factory supplied *Dantsu* hand-woven carpets to the Imperial Diet Building. We have continued to deliver the "red carpet" and other interior textiles for the present-day Diet Building.

1913



● Mass production realized by using power looms
The Company imported technology and power looms from Germany and the U.K., becoming the first in Japan to manufacture machine-woven moquette.

1957



● Helping widespread use of carpets in general households
Although carpets had usually been custom-made, high-end products, the Company released a ready-made carpet called "Tafton," which was affordably priced for ordinary households.

1971



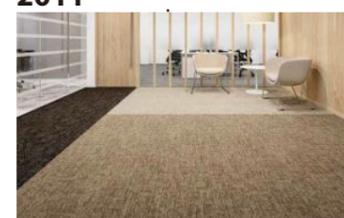
● Construction of a new pollution-free carpet factory
When pollution problems attracted much attention, our Nara Factory was newly constructed. The factory was equipped with effluent treatment facilities in order to prevent leakage of hazardous substances discharged with wastewater.

1989



● Development of a continuous fiber made from recycled polyester
スミトロン® (SUMITRON), which uses polyester chips recycled from PET bottles as raw material by 50% or more, contributes to resource-saving.

2011



● Development of recycled carpet tiles
We established a framework for repeating the recycling cycle involving the same products for carpet tiles. These recycled carpet tiles became the first to be certified as Eco Mark products under new standards.

1899



● Manufacture of Japan's first hand-woven moquette
The Company received an order to manufacture the seat covers used in trains of Japan National Railways, which had conventionally used imported seat covers. We succeeded in producing and supplying hand-woven moquette as a seat covering for the first time in Japan.

1931



● Participating in the automotive industry in its infancy
Suminoe Textile supplied carpets and seat covering materials to automobiles assembled and manufactured in Japan for the U.S. automakers, Ford Motor Company and General Motors.

1968



● Producing a 836 m² carpet by hand
The Homeiden Imperial Palace building is a banquet hall, the largest of all the Imperial Palace halls. Suminoe Textile provided for this hall a hand-woven dantsu carpet of 836 m². Its manufacturing process required approximately 10,000 weavers, who spent as long as nine months to complete this masterpiece carpet.

1980



● Production of Japan's first carpet tiles
Suminoe Textile produced carpet tiles that can express mosaic patterns. It is easy to replace the damaged carpet tiles with new ones. With these advantages, these carpet tiles attracted much attention as an innovative product.

1998



● Development of around-the-clock deodorizing treatment technology
Suminoe Textile developed トリアルフレッシュ® (TRIPLE FRESH) treatment technology, which can deodorize and decompose substances that cause sick house syndrome and other malodorous substances that are generated daily in our environment on a 24-hour basis. This technology contributes to protection of people's health.

The past, the present and the future



● Passing on traditional techniques to future generations
While promoting business reforms, the Suminoe Textile Group maintains and cultivates hand-weaving techniques handed down in Japan's historical industry, thereby making cultural contribution.

Shaping a Better Future through the Concerted Efforts of the Entire Group

Taking on challenges to achieve further growth based on the founding “spirit”



Teppei Nagata
President
Suminoe Textile Co., Ltd.

Respect for the founding spirit

The Suminoe Textile Group upholds the Company Purpose, which reads: “We contribute to the improvement of society through the production and sales of good products, and a prosperous business.” The Company Motto that we follow states that “We pride ourselves as a pioneer in the interior design and furnishing industry and persist in a spirit of cooperation, sincerity and determination.” Ever since its founding, in keeping with this Company Purpose and Motto, the Group has consistently taken on new challenges in response to the needs of the times and worked to develop and provide products that benefit society. For instance, the Group became Japan’s first to hand-weave a Wilton-style carpet, to manufacture seat materials for railway carriages, and to create carpet tiles. The Group’s ECOS® series, eco-friendly carpet tiles under the horizontal recycling system, obtained Eco Mark certification by fulfilling its new criteria, for the first time in the industry. These examples demonstrate the enterprising attitude and the frontier spirit of our predecessors.

The Company Motto contains the phrase “a spirit of cooperation,” which indicates the ideal state of our relationships with customers and suppliers and that of the relationships among our employees. I could say that this is the concept that leads to today’s sustainability. The Motto also includes the word “sincerity,” which should form the basis of a business enterprise. With a strong resolution never to repeat any insincere behaviors, the Group has been continuing “management by walking around,” under which executives in person frequently visit workplaces, as part of ongoing efforts to reinforce governance. The word “determination” is embodied by our history of 139 years. Throughout so long a history, we have continued business while overcoming many serious hardships and tiding over difficult times. The outlook still remains uncertain due to the prolonged COVID-19 pandemic and the increasingly volatile international situation. In this present context, I realize anew the significance of upholding “determination” in our Company Motto.

Embracing challenges to achieve next-stage growth, with pride as a pioneer

Aiming for next-stage growth, we have been striving to accomplish the Medium- to Long-term Management Targets “SUMINOE GROUP WAY 2022-2024-2027” (hereinafter SGW), launched in June 2022. The SGW has set targets for consolidated net sales at 100 billion yen or more and for an operating margin at 5% or more, by the fiscal year ending on May 31, 2027. To achieve these targets, it is literally indispensable to constantly take on new challenges to produce products that benefit society, with pride as a pioneer. In particular, in the present time when social situations are rapidly changing, I believe that we need to bring together the wisdom of the entire Group to create innovation faster than before. At the same time, the Group has started to identify a purpose (the reason for the existence of a company) that provides spiritual support for employees. We are endeavoring to determine and announce a purpose that will better reflect contemporary society and times, based on the Company Motto and the Company Purpose, which

have been embraced ever since the founding of the Suminoe Textile Group.

In the first year of the SGW, we moved forward to achieve the final targets, albeit falling short of the Medium- to Long-term Management Targets

The fiscal year ending May 2022 was the important first year of the SGW. However, we had no choice but to make a downward revision to our initial plan since the Automotive Textiles and Traffic Facilities segment, which drives the Group’s performance, was significantly impacted by the COVID-19 pandemic and the shortage of semiconductors and components. On a consolidated basis, net sales increased by 2.5% year on year to 81,713 million yen, whereas we posted declines in operating income, ordinary income, and profit attributable to owners of parent. Operating income sharply declined 89.5% year on year to 110 million yen. Despite these lower profits, the said fiscal year saw each business segment steadily paving the way for future growth, making us feel certain that we were able to move a step closer to achieving the final targets.

In the Interior Fittings segment, to strengthen the space design business, we acquired shares of CPO Co., Ltd., which is engaged in designing various retail stores, so that it became a subsidiary of Suminoe Textile Co., Ltd. in August 2020. This was followed by the acquisition of another company that sells interior products, PRETERIOR-TEXTILE Inc., which joined the Group as a subsidiary in January 2022. In addition, our ECOS® series, eco-friendly carpet tiles under the horizontal recycling system, has achieved a recycled material ratio of approximately 70% by weight, which is among the highest in the world. We are pleased that ECOS® won two major prizes: the Economy, Trade and Industry Minister’s Prize in the 4th EcoPro Awards and the Grand Prize in the plastic resource recycling special category of the 22nd Green Purchasing Award. On the back of winning these prizes, our presence as “Eco-friendly Suminoe” increased, leading to large incoming orders. Due partly to the effect of price revisions, the Interior Fittings segment posted growth in sales and profit.

In the Functional Materials segment, we received increased orders for fabric-coated heating products, such as electric carpets, and floor materials for bathrooms. The Company also completed the consolidation of factories in China and Vietnam, in consideration of the country risk and future costs. We can now expect an improvement in cost-effectiveness in the next fiscal year and onward.

Furthermore, in May 2022, we completed the project for reorganizing the Nara Factory, the mother plant of the Group. In addition to improving production and logistics efficiency, we constructed a new R&D building so as to further enhance collaboration between R&D and production technology divisions. As a result of the reorganization, functions of the Interior Fittings and Automotive Textiles segments have been divided more clearly: The Nara Plant of Suminoe Techno Co., Ltd. focuses on production of interior products, while the Shiga Factory focuses on production of automotive textiles. We look forward to seeing the effects of this functional differentiation in the fiscal year ending May 2023 and later.

As for the Automotive Textiles segment, in order to expand

the North American market, we decided to build a new production line for synthetic leather at Mexico, Suminoe Textile de Mexico, S.A. de C.V. (STM), our subsidiary in Mexico. STM will start mass production in March 2024 and will contribute to the Group's performance from the fiscal year ending May 2025. Our subsidiary in the United States, Suminoe Textile of America Corporation (STA), is in the process of a significant organizational change. In the Traffic Facilities segment, the Company acquired Seki Textile Co., Ltd., which has Japan's leading processing technology for moquette production. We also make consistent efforts to strengthen business continuity planning (BCP).

With regard to the plan for the fiscal year ending May 2023, we again revised the planned figures downwardly from those targeted at the time of the SWG formulation, but the strategies and measures remain unchanged. Although the outlook remains uncertain, we anticipate that, after the external environments surrounding the Automotive Textiles and Traffic Facilities business improve, the Group will reach its interim targets—net sales of 93.4 billion yen and operating income of 3.3 billion yen—in the fiscal year ending May 2024, the third year of the SWG. We also believe that the Group will be able to achieve net sales of 100 billion yen or more and operating income of 5% or higher in the final year of the SWG, i.e., the fiscal year ending May 2027, based on our forecast that STA will return to profitability, measures being taken in the current fiscal year will prove effective, and depreciation will decrease in that year.

Forging a solid footing to grow as an enterprise that can surely contribute to realizing a sustainable society

Suminoe Textile will mark its 140th anniversary of its founding in 2023. To continue to grow into the future, the Group must remain committed to being an enterprise that brings value to society and that is required by all stakeholders.

Employees are our stakeholders and the driving force for the Group to create value. As such, our most important task is to "create workplaces for employee happiness" for these employees. On June 1, 2022, the Group announced its Basic Policy on Sustainability and Related Policies, which lays out initiatives for human resources development, diversity and inclusion, and work-life balance. The key to future success lies in ensuring these policies are communicated to and observed by every member of the Group. We also aim to be certified as a Health & Productivity Management Outstanding Organization by the fiscal year 2025, and we plan to hold round-table discussions for employees in respective age brackets from 20s to 50s. As part of initiatives for human resource development, the Company will nurture next-generation management personnel, including female managers.

Other priority challenges for the Group include to "improve work efficiency" and "improve corporate brand value." We are promoting restructuring of the core systems aimed at more transparent business operation, with these systems slated for completion in the fiscal year ending May 2025. Efforts are also under way to increase efficiency in warehouse activities in logistics through the effective use of digital technology. In regard to improving corporate brand value, we launched a cross-departmental project



involving various members, ranging from executives to young employees, to ensure that the SUMINOE brand is chosen by stakeholders who feel empathy with us. These project members hold discussions from diverse perspectives.

On the other hand, there are many social issues to be resolved to establish a sustainable society. Among other things, we are aware that the response to climate change issues is important. In April 2022, the Suminoe Textile Group announced its Second SUMINOE Environmental Declaration. At the same time, the Group set a target for reducing CO2 emissions 35% from the fiscal 2014 levels, by the fiscal year 2031. To accomplish this target, we will intensify our efforts to reduce energy consumption in business operations and introduce photovoltaic power generation systems. Meanwhile, we will strive for development and sales expansion of products that contribute to the recycling of resources, as exemplified by ECOS®. We will also work to develop new seat covering materials using a plant-derived fiber.

As for the financial impact of climate change, we will conduct scenario analysis and clarify the impact, following the TCFD recommendations on climate-related financial disclosures, in the next fiscal year and beyond.

We always seek to be better than we are today through the concerted efforts of the entire Group as we move forward into the future. We have addressed challenges at hand and used the lessons learned from these challenges, regardless of whether the outcome is a success or failure, as valuable experience for undertaking the next challenge. Through the endless repetition of such attempts, we have made continuous efforts, which have made the Group what it is today. I am confident that our present hard work will help us shape a better future.

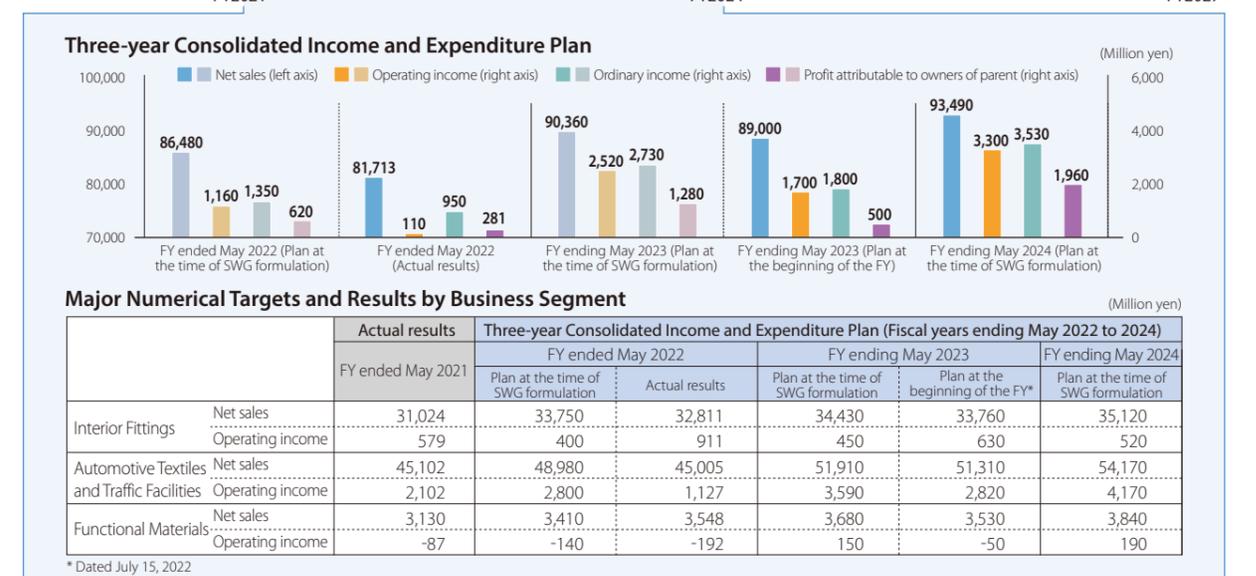
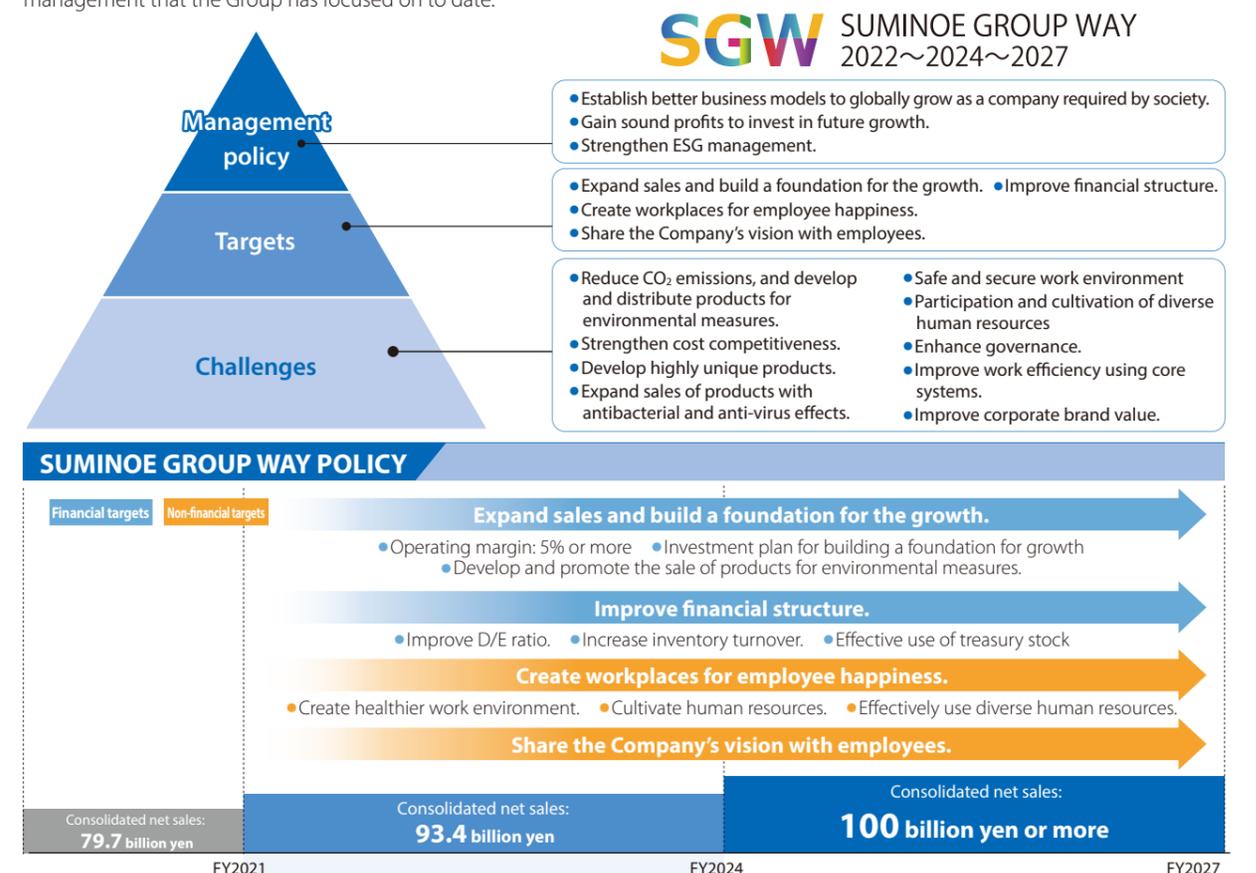
Even in the harsh business environment, we will first secure a 5% operating margin to enhance our corporate value, aiming to grow as an enterprise that can live up to expectations of shareholders and investors. Please expect the future development of the Suminoe Textile Group.

November 2022

President
Suminoe Textile Co., Ltd. **永田 鉄平**
Teppei Nagata

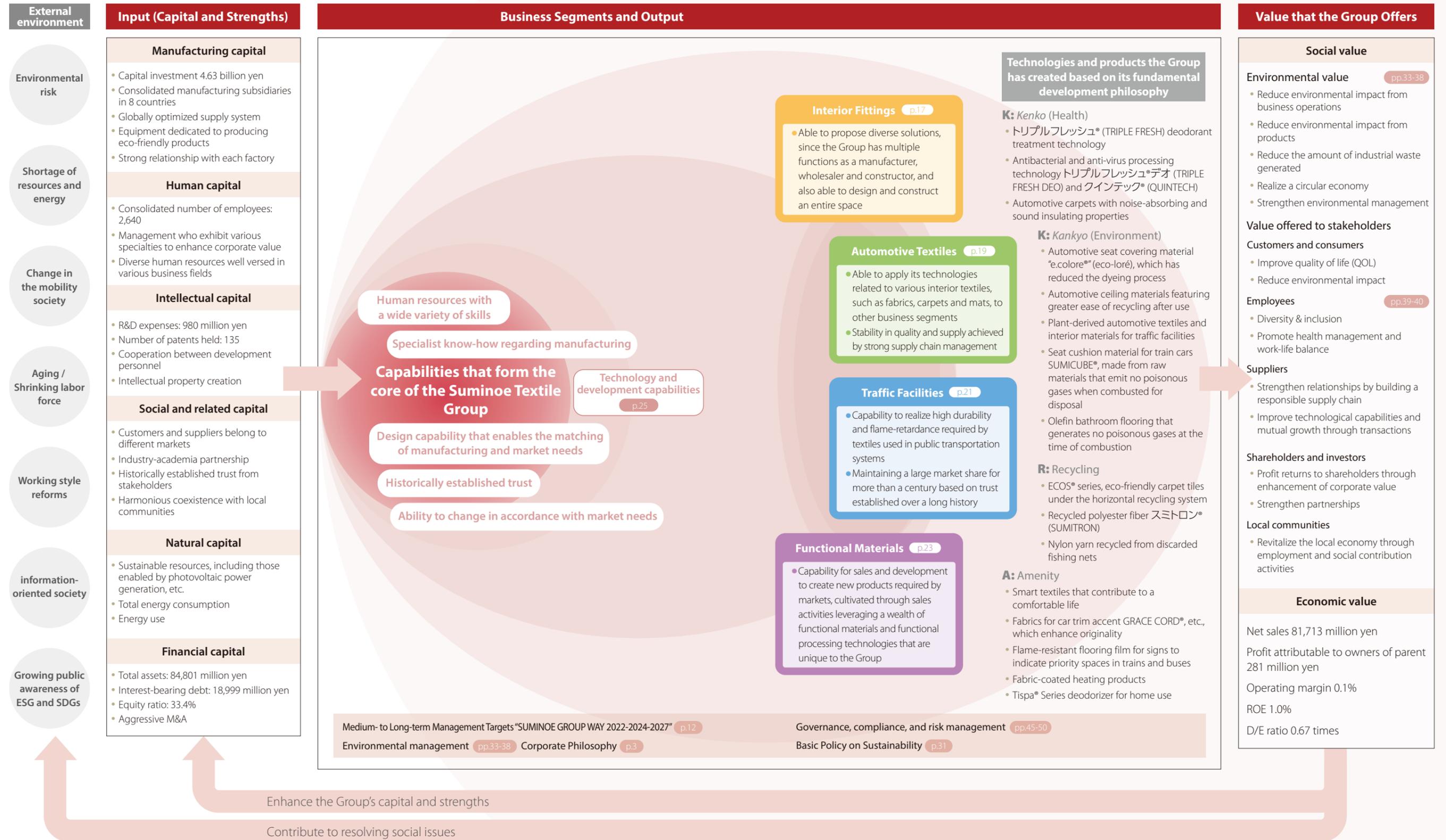
Focusing on our medium- and long-term "ideal corporate image," we established our policy through the fiscal year ending May 2027. In line with the policy, we have been working to achieve our targets.

Suminoe Textile Co., Ltd. formulated "SUMINOE GROUP WAY 2022~2024~2027," Medium- to Long-term Management Targets (SWG). Now one year has passed since we started to work on the SWG in June 2021. All employees of the Group companies are joining forces to achieve these targets by increasing sales of products that meet social needs and by promoting global management, based on the ESG management that the Group has focused on to date.



Value Creation Model

Based on its Corporate Philosophy, the Suminoe Textile Group will create value that contributes to society, thereby helping realize a sustainable society and enhancing our corporate value.



Net sales and percentage to total

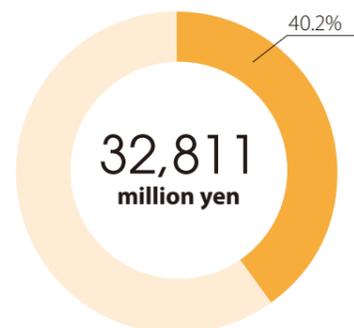
Overview of business results for FY ended May 2022

Three-year consolidated income and expenditure plan

(For each FY ended May 31)

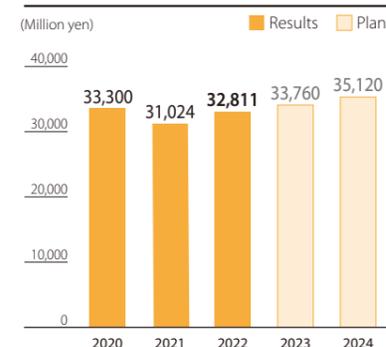


Interior Fittings

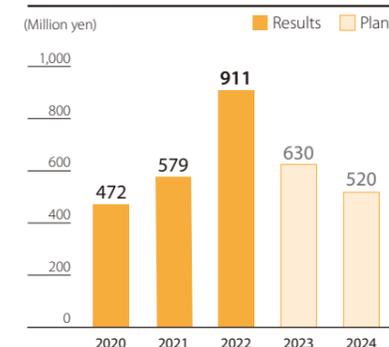


Sales of household carpets and curtains were sluggish due to the impact of the COVID-19 pandemic. However, total net sales in the Interior Fittings segment increased because of the contribution from sales of the space design business and the solid performance of wall covering-related sample books combined with the effect of price revisions.

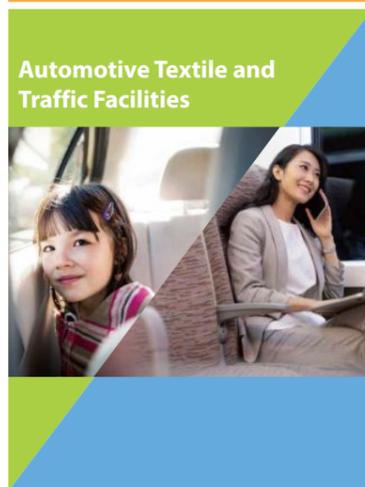
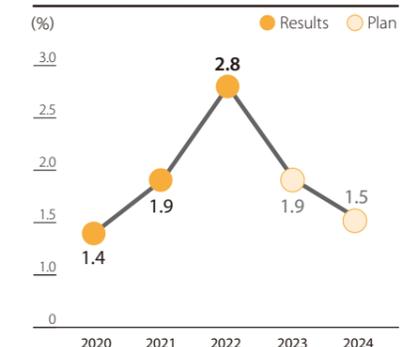
Net sales



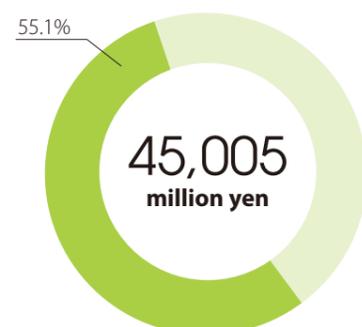
Operating income



Operating margin

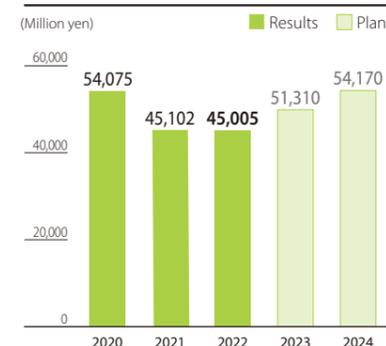


Automotive Textile and Traffic Facilities

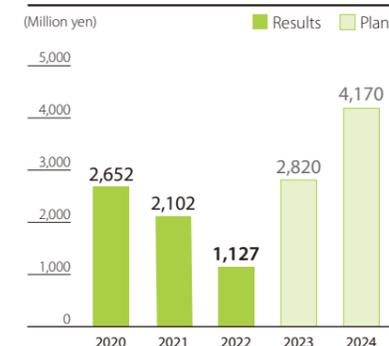


Although overseas automobile-related sales increased thanks to strong car sales and the effect of foreign exchange rates, domestic automobile-related sales were affected by the decrease in production due to the shortage of components and sluggish sales of traffic facilities products. This resulted in a slight decline in net sales of this segment as a whole. Profits were significantly impacted by soaring prices of raw materials as well as rising distribution costs.

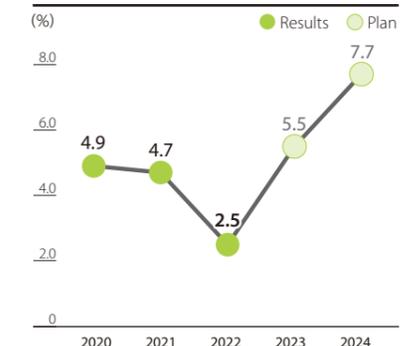
Net sales



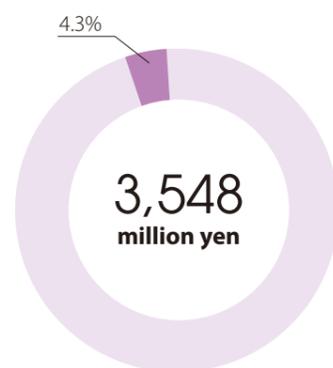
Operating income



Operating margin

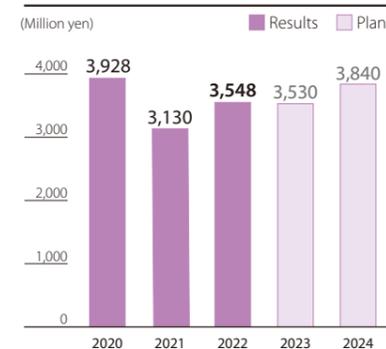


Functional Materials

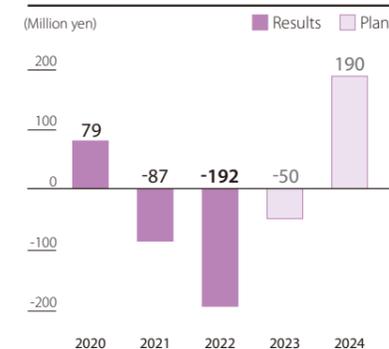


Orders received for fabric-coated heating products increased as the impact of the warm winter in the fiscal year ended May 2020 dissipated. Orders for floor materials for bathrooms were also robust. In terms of profits, the Functional Materials segment was adversely affected by the decrease in income from deodorizing filters for air purifiers, a surge in costs related to the import of fabric-coated heating products, and consolidation costs for factories in China and Vietnam.

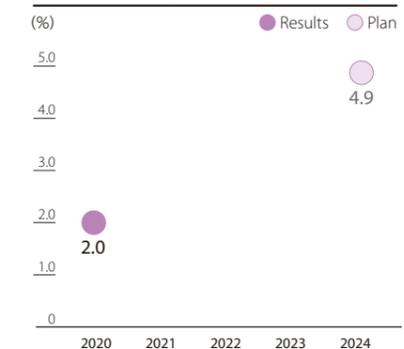
Net sales



Operating income



Operating margin



* The above data for the fiscal year ending May 2023 are the forecast figures for consolidated financial results that were disclosed on July 15, 2022. The data for the fiscal year ending May 2024 are the figures that were planned at the time of formulation of the Medium- to Long-term Management Targets and disclosed on July 13, 2021.

Interior Fittings

Business Details

Wholesale of interior textiles for commercial use (in Japan and overseas), interior finishing work (curtains, carpets, wallpaper, plush hand-woven curtains, hand-woven carpets and hooked rugs, etc.), wholesale of household interior textile products, EC business, store design and construction (Space Design Business), sales of curtains and other optional items, and production and sales of arts and crafts

Major Products



SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> Capability for developing eco-friendly products and highly functional products and the system of supplying these products Diversified functions as a manufacturer, wholesaler, and constructor Capability for planning, designing and coordination of the entire room space Capability for manufacture and development of traditional craftwork through preservation of traditional techniques Sales capability through cooperation with other businesses 	<ul style="list-style-type: none"> Low brand awareness Decreased demands for carpets, the mainstay product of this segment
Opportunities	Threats
<ul style="list-style-type: none"> Increased demand for environmentally friendly products Growing interest in interior materials due to lifestyle changes Increased demand for design and proposals for the entire room space due to diversification of work environments 	<ul style="list-style-type: none"> Reduction in the interiors market scale Decreased number of new housing starts Soaring prices of raw materials due to high crude oil prices, etc. Unstable supply of raw materials due to fewer supply chains

Companies Engaged in the Business

Suminoe Textile Co., Ltd., SUMINOE Co., Ltd., RUNON CO., LTD., Suminoe Logistics Co., Ltd., TANGO TEXTILE Co., Ltd., Suminoe Works Co., Ltd., Sewing Hyogo Co., Ltd., CPO Co., Ltd., PRETERIOR-TEXTILE Inc., Kyoto Traditional Art and Craft Factory of Suminoe Textile Co., Ltd., Suminoe Techno Co., Ltd.

SGW SUMINOE GROUP WAY 2022~2024~2027 Strategies and Measures and Progress Assessment for FY Ended May 2022

Strategies and measures	Progress	Strategies and measures	Progress
Expand lineups of environmentally friendly products and increase sales of these products.	○	Reduce inventory levels.	○
Commercialize and launch anti-virus wallpapers.	○	Strengthen directly operated EC business.	○
Enhance transmission and penetration of our brand image.	△	Simplify delivery.	×
Develop new products for housing.	△	—	—

Review and Future Prospects by the Officer in Charge

Despite difficult market conditions, we achieved both sales and profit growth in FY2022. We will expand the lineups of eco-friendly products.

Norihisa Murase
Director
Division Manager
Interior Textile Business Headquarters



Review of FY Ended May 2022 (Results and Future Challenges)

In the first year of the SGW, the COVID-19 pandemic persisted as in the previous fiscal year ended May 2021. To address the pandemic, the Japanese government implemented and extended the state of emergency measures and semi-emergency measures, which had a significant impact on the business results of the Interior Fittings segment. Nevertheless, this segment achieved both sales and profit growth in FY2022, primarily driven by robust sales of wall coverings. Another contributing factor was that sales of commercial carpets were mostly unchanged from the previous year despite difficult market conditions. In the fiscal year under review, we focused on expansion of our market share by enhancing lineups of environmentally friendly products and establishing the Space Design Business. Notably, ECOS®, eco-friendly carpet tiles under the

horizontal recycling system, steadily penetrated the market, encouraged by growing environmental awareness. In addition, in cooperation with relevant divisions, we sold eco-friendly products, such as ECOS®, and functional products to existing customers of the Automotive Textiles and Traffic Facilities segment. In this manner, we successfully developed new markets by leveraging the strengths unique to the Group, which operates in multiple business fields.

On the other hand, our brand image has not sufficiently been transmitted. Raising awareness of the SUMINOE brand is a challenge to be addressed in the future. We will strengthen branding by improving our website and by other means in the next fiscal year and onward.

Future Prospects (Toward Achieving the SGW 2023)

As in FY2022, in order to increase revenue, we will work to expand sales of environmentally friendly products and various functional products while promoting the Space Design Business, aiming to win more orders for designing of the entire room space. We also plan to develop higher-spec, luxurious products and expand into the B-to-C market, capitalizing on the sales capabilities of PRETERIOR-TEXTILE Inc., which joined the Group in January 2022.

Improving the profitability is also a major challenge for us. Currently, prices of raw materials of carpets for general household and commercial use, curtains, wallpaper and other all products are rising. I will conduct business management based on the idea that the most important point is selling products at reasonable prices. In

addition, in cooperation with the Development Department, we will strive to improve the efficiency of transportation, secure stable supply and flexibly respond to customer needs so as to enhance the competitiveness of this segment.

In the Interior Fittings segment, we will continue to work on the development of products unique to the Suminoe Textile Group, in keeping with its development philosophy of "KKR+A (Kenko [Health], Kankyo [Environment], Recycling and Amenity)." In so doing, we will contribute to the realization of a sustainable society and work to better operate a business that constitutes a basis of the Group.

Topics ECOS® series winning two major prizes in the 4th EcoPro Awards and the 22nd Green Purchasing Award

The ECOS® series, eco-friendly carpet tiles under the horizontal recycling system, won the Economy, Trade and Industry Minister's Prize in the 4th EcoPro Awards, as an advanced product full of originality. The EcoPro Award program honors practices that contribute to the realization of a carbon-free society and circular economy. Moreover, ECOS® received the Grand Prize in the plastic resource recycling special category of the 22nd Green Purchasing Award, which commends products and services with excellent environmental friendliness. The prize

was presented to ECOS® in recognition of its features, such as using waste carpet tiles as recycled materials and achieving reduction in water usage, electricity usage and wastewater during the production process.



Automotive Textiles and Traffic Facilities (Automotive Textiles)

Business Details

Development, production and sales of automotive interior products (ceiling materials, seat covering materials, floor carpets, luggage compartment, car mats, and other interior products in general), automotive exterior textile products (wheel houses, engine covers, and other textile products). Our products are supplied to all Japanese automobile manufacturers.

Major Products



SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> Capability for total coordination of automotive interior products Global manufacturing system that enables stable quality and supply Strong global supply chain Capability for development and proposals of new materials through integration of technologies developed in multiple businesses 	<ul style="list-style-type: none"> Insufficient consolidation of technologies and expertise possessed by overseas operation sites Capability to deal with price fluctuations caused by external factors
Opportunities	Threats
<ul style="list-style-type: none"> Response to the automotive industry that is the age of transformation represented by CASE Increased demand for environmentally friendly products Increased demand for textile-based products that are lightweight and excel in noise-absorbing performance 	<ul style="list-style-type: none"> Decrease in the number of domestically produced automobiles due to a declining birthrate and aging population and young people's alienation from cars Intensified price competition New entry of overseas manufacturers that produce automotive interior textiles and seat covering materials into the market

Companies Engaged in the Business

Suminoe Textile Co., Ltd., Suminoe Logistics 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. 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.

SGW SUMINOE GROUP WAY 2022~2024~2027 Strategies and Measures and Progress Assessment for FY Ended May 2022

Strategies and measures	Progress	Strategies and measures	Progress
Development, sales promotion and effective use of environmentally friendly products	○	Development of products, focusing on "new parts" and "production with less man-hours" as key words	△
Development of interior materials for next-generation vehicles	△	Development of fabric materials using new production methods	○
Cost reduction through the optimization of material procurement	△	Development in accordance with the situations and issues of each global operation site	△
Horizontal development to overseas markets	△	—	—

Review and Future Prospects by the Officer in Charge

Aiming to increase profits and market share, by expanding sales of the Company's proprietary products and strengthening the decorative fabric business

Toshiro Maruyama
 Director
 Division Manager
 Automotive Textiles Business Headquarters



Review of FY Ended May 2022 (Results and Future Challenges)

In the first year of the SGW, Japanese automobile manufacturers suspended operations one after another for several reasons, including the prolonged global shortage of semiconductors, component supply shortfall in Southeast Asia caused by the spread of COVID-19, and lockdowns mainly in Shanghai. Under such situations, both net sales and operating income of the Automotive Textile business fell significantly below the planned figures. However, by focusing on cost saving, cost reduction and quality improvement measures, we were able to minimize the impact of a decline in sales and inflated raw material prices. We also placed emphasis on the development of products that are expected to be profitable in the future and on activities to propose these products.

In recent years, the Group's environmentally friendly products have attracted increasing attention from various automakers. These car manufacturers have frequently adopted our fabric products using e.colore®, a processing technology that substantially reduces the volume of dyeing solution required during the dyeing process by effectively interweaving a solution-dyed yarn* with base fabric yarn. Such products enjoy high popularity among our customers. Although this technology has not been sufficiently applied to overseas production sites, we are aware that products using e.colore® will act as a touchstone for the future growth.

* Solution-dyed yarn: Yarn that is pre-colored by adding pigments in the stage where raw materials are heat-melted.

Future Prospects (Toward Achieving the SGW 2023)

The key to achieving the SGW is the seat fabric embroidery techniques, which we will begin to provide in the second year of the Three-year Consolidated Income and Expenditure Plan. As part of the decorative fabric business, which offers seat fabrics accented with embroideries, three subsidiaries in China will newly start to procure, manufacture and sell these products. We will strengthen the decorative fabric business while expanding sales of Grace Code®, the Group's proprietary narrow woven fabric that is currently in production, aiming to increase profits and market share.

In Indonesia, we have already established a system for local procurement and production in order to respond to safeguard measures. In North and Central America, we are working to optimize the balance of production at three manufacturing subsidiaries while undertaking a concrete review of the production system to improve profitability of the Company's subsidiary in the United States. In

Japan, the Group plans to make the Shiga Factory of Suminoe Techno Co., Ltd. dedicated to production of automotive textiles so as to augment our production capacity, which will lead to an increase in sales. At the same time, we will enhance the Group's competitiveness through cost reduction by reducing personnel expenses and logistics costs and by improving production efficiency.

It is expected that the price competition of automotive textiles will intensify in the future. I believe, however, that, in this segment, the Company can achieve growth that exceeds the market scale expansion by improving profitability through the development of eco-friendly products, high value-added products, such as products with antibacterial and anti-viral features, and products produced with less man-hours. The Company will expand its business in a wide range of product areas, including synthetic leather and new film products, beyond the existing textile products.

Topics Promoting the development of and increasing order receipts for environmentally friendly products

We have developed "e.colore®" with the aim of reducing the volume of dyeing solution required and water usage. Our textile products using e.colore® were adopted as a seat covering material for the Alto (launched in 2021) by Suzuki Motor Corporation and for the Move Canbus (launched in 2022) by Daihatsu Motor Co., Ltd.

Another seat covering material the Group has developed uses スミトロン® (SUMITRON) polyester yarn made from

recycled PET bottles. We have also created a ceiling material with less environmental impact. This is a ceiling covering material that uses no polyurethane, unlike the conventional fabric ceiling materials that are made by combining a fabric covering and polyurethane.



Alto of Suzuki Motor Corporation

Automotive Textiles and Traffic Facilities (Traffic Facilities)

Business Details

Production and sales of interior materials mainly for trains and buses (seat coverings, wall materials, curtains, flooring materials, seat cushion materials, etc.) We have supplied our products to a variety of customers. For trains, these customers include JR, private railways and publicly operated transportation services. Our products have also been used in pickup buses, route buses and sightseeing buses.

Major Products



Moquette (woven velour), headrest covers, curtains

Carpets

Floor signage film

SUMICUBE®, knit fabric

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> The Industry's top market share percentage Capability to offer total proposals for interior materials for public transportation systems Environmentally friendly products with excellent safety performance 	<ul style="list-style-type: none"> Aging facilities of manufacturing factories Aging human resources Significant impact of the decline in the traffic industry Insufficient track records of delivery to overseas customers
Opportunities	Threats
<ul style="list-style-type: none"> Increase in travelers and foreign visitors to Japan in the post-pandemic era Increase in users of public transportation facilities owing to practical application of MaaS Increased demand for products processed with antibacterial and anti-virus processing 	<ul style="list-style-type: none"> Decrease in users of public transportation facilities owing to declining birthrate and aging population Decrease in the number of trains/buses owned because of decreased business trips and reduced rush-hours due to the spread of teleworking and staggered working hours Soaring materials prices

Companies Engaged in the Business

Suminoe Textile Co., Ltd., Marunaka Souei Co., Ltd., Seki Textile Co., Ltd., Teijin Teclath Ltd., Owari Seisen Co., Ltd., Suminoe Techno Co., Ltd.

SGW SUMINOE GROUP WAY 2022~2024~2027 Strategies and Measures and Progress Assessment for FY Ended May 2022

Strategies and measures	Progress
Increase order receipts for renovation and replacement work, both of which show signs of recovery.	×
Develop and increase sales of new products.	○
Develop environmentally friendly fabrics.	△
Increase market shares.	△
Propose and receive orders for SUMICUBE® (seat cushion material) with a new tactile impression.	△

Review and Future Prospects by the Officer in Charge

Striving to turn the business around by promoting products that meet the needs during the COVID-19 pandemic and expanding our market channels

Sadahiro Seto

Senior Operating Officer
Division Manager, Traffic Facilities Business Headquarters



Review of FY Ended May 2022 (Results and Future Challenges)

In the first year of the SGW, due to the negative impact of the prolonged COVID-19 pandemic, the passenger demand in Japan did not recover, so many transportation operators, who are our customers, were caught in a difficult predicament. Since these customers reduced investment in updating and maintaining train seats and placing orders for new sightseeing buses, sales significantly decreased in the Traffic Facilities business. In the meantime, our antiviral seat covering materials were adopted for many public transportation facilities because these products can provide users of these facilities with peace of mind. When the

passenger demand recovers in the future, the anti-viral processing will be a key technology capable of imparting a sense of security to people. We are therefore planning to strengthen proposals for these products in accordance with the increase in demand.

On the other hand, a long-term loss of demand in the traffic industry has had an enormous impact on this business. We will strive to turn the business around, by venturing into and establishing a new business field where our existing technologies and products can be utilized, while securing a competitive advantage of our mainstay products.

Future Prospects (Toward Achieving the SGW 2023)

In 1896, the Company succeeded in manufacturing moquette, a pile fabric for seat coverings, as the first of its kind in Japan. Since then, we have been maintaining the top market share in the area of seat coverings used in public transportation facilities. Seat covering materials account for roughly 50% of sales in this business segment. The Suminoe Textile Group will continue to pursue design and functionality that satisfy customer requirements, aiming to enhance its brand value.

It is estimated that in the post-pandemic era, the passenger demand in society as a whole will recover only up to 80% of

pre-pandemic levels. To achieve the SGW, we will focus efforts to promote the further spread of antiviral products and to enhance functionality of SUMICUBE® and floor signage film while bringing their prices down, thereby increasing order intake. Moreover, we will reinforce cooperation with other business segments to promote sales of seat upholstery materials for theaters and halls. Through these endeavors, the Group will increase customer acquisition by leveraging its existing know-how, which will enable the business to turn around.

Topics Our interior materials adopted for the Nishi Kyushu Shinkansen "Kamome" train operated by JR Kyushu

Kyushu Railway Company (JR Kyushu) started operation of the Nishi Kyushu Shinkansen "Kamome" bullet train, which travels between Takeo Spa in Saga and Nagasaki, on September 23, 2022. The Kamome is a six-car train, and a total of four trains were built. The Company delivered products processed with anti-virus processing for the reserved seats' woven fabric covering and for the roll curtains installed in train cars for

reserved and unreserved seats. We also delivered SUMICUBE® cushion material for the backrest of the reserved and unreserved seats. To meet the expected demand for sightseeing tourism in the post-pandemic age, we will continue to promote anti-viral processing for fabrics and help railroad operators to develop their rolling stock in the future.



External appearance of the Kamome



Reserved seats in Car No. 3: Karakusa (Beige)



Reserved seats in Car No. 1: Kikudaigara (Gray)
Reserved seats in Car No. 2: Shishigara (Green)

Functional Materials

Business Details

Moving beyond its conventional business segments, the Group has been active in advancing into new business fields, handling a wide range of products, including textiles, non-textiles, interior materials, household appliances and food. Household appliance business: Development, production and sales of fabric-coated heating products, Functional materials business: Development, production and sales of floor materials for bathrooms, deodorizing products, interior materials for aircraft, water shielding/thermal insulation sheets, and food products

Major Products

Electric carpets

Deodorant air filters for air purifier

The Tispa® Series "Real Odor Deodorization without Disguising with a Scent"

"Kakidanomi" supplement containing persimmon (*kaki*) polyphenol

Roofing materials

CLOTHCABIN®

Floor materials for bathrooms

Interior materials for aircraft

* CLOTHCABIN is a registered trademark of TEIJIN FRONTIER CO., LTD.

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> Functional materials and functional treatment technologies that are unique to the Group Eco-friendly technology capability Organizational structure to realize high-quality products and high-level development 	<ul style="list-style-type: none"> OEM business that is vulnerable to demand fluctuations Household appliances only limited to fiber-coated types of products Delayed brand penetration Dispersion of capabilities due to business operations in multiple fields
Opportunities	Threats
<ul style="list-style-type: none"> Trend toward a decarbonized society, a declining birthrate and aging population, increasing health and hygiene awareness, and the emergence of new needs due to external environmental changes, such as digital transformation (DX) New demand from existing customers in many fields Discovering overseas demand, with a footing in overseas affiliates 	<ul style="list-style-type: none"> Unexpected changes in the external environments caused by a pandemic and other events Market maturity, lowering of product prices, intensified price competition Changes in consumer trends due to a declining birthrate and aging population and other factors Changes in situations of the countries where overseas operation sites are located

Companies Engaged in the Business

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

SGW SUMINOE GROUP WAY 2022~2024~2027 Strategies and Measures and Progress Assessment for FY Ended May 2022

Strategies and measures	Progress	Strategies and measures	Progress
Consolidate overseas factories of fabric-coated heating products, optimize the production and supply systems for these products, and strengthen the business capability.	△	Develop new health foods and everyday items using persimmon polyphenols and other functional natural substances and expand sales of these products.	△
Promote development of new products by using functional products and processing technologies and increase sales of these products.	△	Promote new commercialization utilizing smart textiles.	△
Develop and increase sales of products made by functionally processing technologies, such as deodorant treatment and anti-virus processing technology.	△	Cooperate with the technology development sections to strengthen the capability of sales and development.	△
Maintain and promote appropriate quality management and product supply systems in accordance with the JIS Q 9100 quality management standard for the aerospace industry.	○	—	—

Review and Future Prospects by the Officer in Charge

Strive to enlarge the business scale and improve profitability by promoting visualization of each business

Masaya Fukuoka

Operating Officer
Division Manager, Functional Materials Business Headquarters



Review of FY Ended May 2022 (Results and Future Challenges)

In the first year of the SGW, the Functional Materials segment fell below its performance targets since both domestic and overseas operation sites were adversely affected by the impact of soaring raw material prices, procurement problems, increase in import costs, and other factors which were triggered by the COVID-19 pandemic.

In the household appliance business, although the Company has completed the consolidation of overseas factories, it is urgently necessary to address various issues due to the changes in the external environment. In the functional materials area in the Functional Materials segment, despite the pandemic, demand for our bathroom flooring materials using olefin compounding and

forming technologies remained strong, making it more important for us to supply these products. In the area of functional processing, mainly deodorizing treatment, efforts are under way to develop effective use and new applications of these technologies in various fields, including household appliances, healthcare and nursing, materials, and sundries. In the fiscal year ended May 2022 under review, we launched a new product, SUMINOE FRESHTM Filter, which incorporates the Group's unique antivirus technology, トリアルフレッシュユデオ (TRIPLE FRESH DEO). In all areas, we will remain committed to enhancing quality and the supply capability and to develop and promote new businesses and products that capitalize on our functional materials and processing technologies.

Future Prospects (Toward Achieving the SGW 2023)

Toward achieving the SGW, based on the results of the FY2022 review, we will promote visualization of each business area in this segment and tackle challenges in order to enlarge the business scale and improve profitability. We have been vigorous in developing applications and increasing product lineups of the next-generation fibers and textile fabrics that are representative of smart textiles and of supplements and other functional items using natural ingredients. The Group's products under development

include a sensor system making use of a water-wetting detection fabric.

Going forward, the Group will intensify its efforts to promote development activities for value creation, strengthen sales and development capabilities, and cultivate human resources of the next generation, aligning itself with its development philosophy "KKR+A" (Kenko [Health], Kankyo [Environment], Recycling and Amenity).

Topics Consolidation of overseas factories of fabric-coated heating products, aiming to strengthen our business capabilities

The Group consolidated overseas factories in order to optimize its production and supply systems for electric carpets and other fabric-coated heating products and to strengthen its business capabilities. As a result, Suzhou Suminoe Textiles Co., Ltd., which started operations in 2003, is now in charge of procurement, sales, quality management and development of fabric-coated heating products and deodorizing filters, striving to enhance the value of this business. Another overseas factory, Suminoe Textile Vietnam Co., Ltd., commenced production in 2020. Although there was a delay in developing its production function due to the COVID-19 pandemic, the Vietnamese subsidiary became the Group's main manufacturing factory for fabric-coated heating products in 2022. We also plan to produce main components in-house in 2023. With these two operation

bases overseas, the Group diversifies regional risks. We will work to secure current orders for and improve the profitability of fabric-coated heating products through the coordinated efforts of factories in Japan, China, and Vietnam. At the same time, the Group will promote the development of products that meet market demand, seeking to expand sales channels in Japan and abroad and increase product lineups.



Suminoe Textile Vietnam Co., Ltd.



Suzhou Suminoe Textiles Co., Ltd.

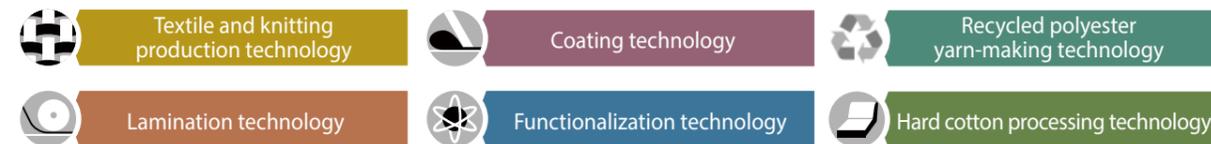
Research and Development Strategies

Fundamental Development Philosophy



Under its fundamental development philosophy “KKR+A (Kenko [Health], Kankyo [Environment], Recycling and Amenity),” the Suminoe Textile Group has been working on research and development of technology and products that help resolve environmental issues and contribute to society while striving to sow seeds for industry-academia collaboration. We will continue our efforts to develop new technologies and products that are friendly to people and the environment, based on “KKR+A” and core technologies that the Group has cultivated for many years.

Core Technologies

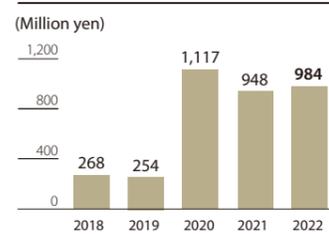


Research and Development System

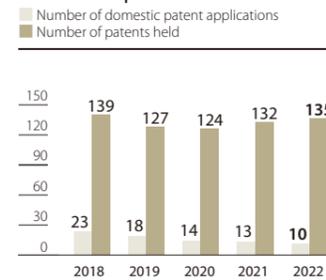


The Group carries out research and development based in the Nara Factory, through cooperation between the Development Department, which conducts research and development of core technologies, and the development teams of respective business segments. In December 2021, we reorganized the Nara Factory (see p27). On that occasion, the Technology Development Center building was completed, as our new R&D facility with state-of-the-art assessment instruments and R&D equipment.

R&D expenses



Number of patents



Demonstrating synergy effects Accelerating the development of new products



SGW SUMINOE GROUP WAY 2022~2024~2027 R&D Challenges and Progress Assessment for FY Ended May 2022

Strategies	Progress	Strategies	Progress
Enhance functionality of bathroom interior products.	○	Basic research using bioplastics	△
Improve floor signage film.	○	Basic research for extracting beneficial substances from woody biomass	△
Develop and commercialize chemicals for multifunctional processing.	△	Smart textiles: Efforts for commercialization of water-wetting detection systems and power generating fibers	△
Develop antibacterial and anti-virus technologies and evaluation techniques.	○		
Develop new products using raw materials derived from nature.	△		—

Expectation for Smart Textiles

The Group moves forward with the development of smart textiles featuring new functions that cannot be found in general textiles.

For example, the Group's unique technology is applied to power-generating fiber/textile-shaped photovoltaic cells, which generate electric power when illuminated by light. As power-generating components with high flexibility and breathability, their expected applications include power sources for IoT equipment and wearable devices. In addition, our water-wetting detection system is designed to make a reaction when a wet condition is detected. Since this system can be formed into various shapes and sizes, it is assumed to be used at nursing-care facilities, construction sites, and the like.

As mentioned above, we are developing products having functions of collecting and communicating information by embedding a sensor or a power-generating element into textiles. It is expected that these smart textiles will enable us to develop business in new areas through collaboration with other industries, including electrical and electronic, IT, healthcare, nursing, environmental, and social science.



Comments on Research and Development Strategies by the Officer in Charge of Research and Development

Aiming to ensure sustainable growth of the Suminoe Textile Group through contribution to resolving social issues

Eiichiro Kimura
Director
General Manager, Development Department



The Development Department, which is tasked with R&D activities, aims to establish a new business model for achieving sustainable growth by creating value that helps resolve social issues, under the slogan of “KKR+A.” To this end, I believe that it is important to produce new and unique technologies that will sow the seeds for sustainable growth, leveraging our dual strengths: functional enhancement technologies and evaluation technologies for textile and resin products. We will also refine our production technologies through the effective use of the one-of-the-kind facilities possessed by Suminoe Techno Co., Ltd., which

is in charge of production.

In May 2022, the Nara Factory reorganization project was completed. Removal of dyeing facilities and a wastewater treatment plant has enabled the Factory to significantly reduce environmental impact during production. We will step up our efforts to reduce waste, introduce renewable energy, and utilize natural and recycled materials, in order to evolve the Nara Factory from a conventional “manufacturing base to produce eco-friendly products” into a “manufacturing base that creates a rich environment.”

Strengthening Functionality as the Mother Plant to Further Promote Value Creation



The Nara Factory of the Group started operations in April 1971, when Japan was in the period of high economic growth. The Factory served as the center of tufted carpet manufacturing, the largest of its kind in Asia at that time. Subsequently, as the market for tufted carpets began to shrink, in 1980 the Nara Factory became the first in Japan to produce carpet tiles, with an eye toward the future. In 2011, the Group developed the ECOS® series, eco-friendly carpet tiles under the horizontal recycling system, inaugurating a new era in the utilization of waste carpet tiles, which previously had to be dumped in landfills.

The Nara Factory has evolved as the mother plant of the Group. After about half a century had passed since its establishment, we decided to update the Factory to better adapt to the times, aiming to achieve the Group's further growth and development. In 2019, we launched a full-scale reform scheme entitled "the Nara Factory Reorganization Project." Given that the project was completed in May 2022, the Nara Factory has been in operation with a greater value creation capability and stronger competitiveness.

Details of the Nara Factory Reorganization Project

1. Improve value creation capability

- Strengthen the roles of the Factory as the mother plant: create new products, nurture engineers, and supply these products and engineers to the Suminoe Textile Group.
- Strengthen R&D and product development functions through cooperation between engineers of different departments. (Construct a Technology Development Center)

2. Improve productivity

- Concentrate production facilities (so that the Nara Factory specializes mainly in Interior Fittings products, and the Shiga Factory in Automotive Textiles products).
- Further strengthen the foundation as the manufacturing base for ECOS®.
- Upgrade the Factory into a high-efficient logistics base (create a functional work flow from production to shipping) and reduce product inventories.

3. Measures to reduce environmental impact

- Remove dyeing facilities and a wastewater treatment plant.

4. Sell off unnecessary production facilities and idle properties that account for one third of the total site area



Hiroaki Ishii

Trustee, Nara Factory
General Manager,
Production Department
Suminoe Techno Co., Ltd.

Witnessing the effects of the reorganization project that boldly renovated the Nara Factory

To reorganize the Nara Factory, which has a history of more than 50 years, it was necessary to select what should be maintained and what should be changed, based on the fundamental assumption of creating an environment where employees can work happily and safely. What should we do with technologies and facilities that had been handed down for generations? In what way should we evolve the Factory as an eco-friendly production site? In quest of the answers to such questions, we held discussions on a truly wide range of subjects, including business selection and concentration, the flow of products, and a fusion of technologies.

The biggest decision we made was to completely withdraw from continuous dyeing processing, for which we had excellent technology. We decided to use solution-dyed yarn in manufacturing all carpets and remove the wastewater treatment plant. These measures have brought about significant effects in reducing environmental impact. On the other hand, the dyeing processing technologies we had cultivated until then are now utilized for the filter business.

At the center of the reorganization project was efficiency improvement achieved by consolidating production, logistics and technologies. Taking carpet production as an example, we consolidated production facilities for each process that had been scattered throughout the vast site before. This consolidation has enabled us to dramatically improve efficiency in transfer and storage of half-finished products. On the production front, the construction of a Technology Development Center building has brought technology development members from Suminoe Textile Co., Ltd. and from Suminoe Techno Co., Ltd. close to each other in a variety of ways. I feel that they are making positive progress while merging technologies in which each member has expertise, toward resolving issues at hand and developing new technologies for the future.

It is true that this reorganization project entailed a large investment. However, I am sure that the Nara Factory will henceforth produce excellent products, technologies, services and human resources, which will be most advanced not only in the Suminoe Textile Group but also in society as a whole.



Yoshinari Miyamura

Group Leader,
Functional Processing
Development Group
Development Section
Technology Development
Center
Development Department
Suminoe Textile Co., Ltd.

Endeavoring to enhance brand value in a new environment through technologies

I am engaged in creation of new technologies and products and improvement of existing technologies and products in a section called the "Technology Development Center," whose duty is to conduct R&D activities. On the occasion of the Nara Factory reorganization, a Technology Development Center building was constructed. I think this is very important in facilitating forward-looking technology and product development. This is because technologies are the starting point for creating new functions and products, which will be conducive to solving problems in our everyday life and industries.

The new building uses a hot-desking system, which has provided me with many more opportunities to talk with my supervisors and coworkers and to enjoy lively exchange with members of other departments. In this new environment that encourages flexible thinking, I wish to improve the brand value of the Group through technologies.



Masanori Nishiguchi

Manager
Nara Product Development
Section
Technology Development
Department
Suminoe Techno Co., Ltd.

Vigorous exchange of views among engineers, stimulating the improvement of our technological capabilities

As a result of the Nara Factory reorganization, we are now working in an open-office space, which is easy to get around and allows us to hold an instant meeting anytime we want, bringing together relevant members. In addition, work efficiency has drastically increased since the Technology Development Center building was constructed adjacently to the office, and test instruments that were previously dispersed across the Nara Factory site are now concentrated within the new building.

I am in charge of developing new products, making effective use of these facilities. I believe that improving our technological capabilities will create a better future for our company. It will not only encourage the proposals for new products but also lead to improvements in the Factory's facilities and production methods. Also, the reorganization has promoted vigorous exchanges of views transcending the departmental boundaries, stimulating the improvement of our technological capabilities.



Hiroaki Okada

Director
Nara Center
Suminoe Logistics Co., Ltd.

Feeling employees are highly motivated by the new work environment

I am mainly responsible for storage and management of products produced at the Factory, as well as transaction with transportation companies to transport products nationwide after receiving orders from sales companies. As part of the reorganization of the Nara Factory, a multi-story warehouse was constructed, greatly enhancing logistics functions. Previously, since the Factory had a tent warehouse, operation in the shipping yard was largely affected by weather conditions. So we had great difficulty each time the region was hit by a typhoon or heavy rain. However, now we are free from such difficulties and concerns.

It is about half a year since the renovation was completed. The new work environment with the face-lifted buildings has highly motivated our employees, which I feel is visible in their facial expressions. In the future, I will continue to maintain this wonderful environment while watching over all the employees working at the Nara Factory in order to ensure that they can enjoy their jobs.

Aiming at an optimal capital structure to lead to new growth

Hiroaki Usugi
 Managing Director
 General Manager, Administration Headquarters
 Suminoe Textile Co., Ltd.



As the General Manager of the Administration Headquarters, I am in charge of formulation and execution of financial strategies to maintain an optimal capital structure, which is necessary to realize the strategies for growth. My role is also to support the initiatives to improve competitiveness of each Business Headquarters, such as reviewing operations and improving efficiency by using information systems as well as developing educational and other new systems for human resources development and utilization.

Progress in Efforts toward Medium- to Long-term Management Targets

Affected severely by the external environment, Automotive

Textiles and Traffic Facilities segment failed to achieve the targets

The fiscal year ended May 2022, the first year of the Medium- to Long-term Management Targets "SUMINOE GROUP WAY 2022-2024-2027," marked net sales of 81,713 million yen (5.5% lower than the plan), operating income of 110 million yen (90.5% lower), ordinary income of 950 million yen (29.6% lower), and profit attributable to owners of parent of 281 million yen (54.6% lower), failing to achieve all target figures in the plan, including ROE and D/E ratio. This was due to the impact of mainly the production reduction by automobile manufacturers and soaring raw material prices and logistics costs on the Automotive Textiles and Traffic Facilities segment despite results better than the plan in the Interior Fittings segment. In the fiscal year ending May 2023, although the severe external conditions are expected to continue, we will accelerate efforts to "expand sales and build a foundation for growth," which is one of the Medium- to Long-term Management Targets, and aim to achieve the plan.

Results of the First Year of the Three-year Consolidated Income and Expenditure Plan

	2022		2023	2024
	Plan*	Results	Plan*	Plan*
Net sales (million yen)	86,480	81,713	90,360	93,490
Operating income (million yen)	1,160	110	2,520	3,300
Operating margin (%)	1.3	0.1	2.8	3.5
Ordinary income (million yen)	1,350	950	2,730	3,530
Profit attributable to owners of parent (million yen)	620	281	1,280	1,960
ROE (%)	2.2	1.0	4.5	6.6
D/E ratio (times)	0.58	0.67	0.64	0.56

* Planned figures are as of the disclosure on July 13, 2021.

Efforts to Meet the Criteria for Remaining Listed

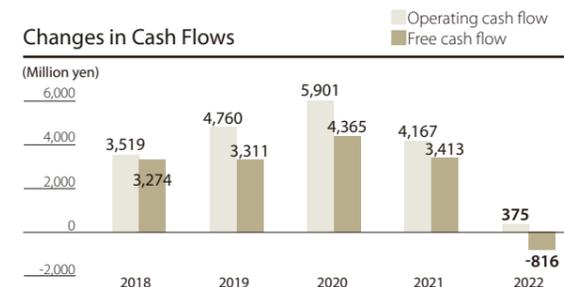
In response to the Tokyo Stock Exchange's revision of the market segments, we selected the Prime Market. As of June 30, 2021, the record date of the market transition, the criteria "the market capitalization of tradable shares of at least 10 billion yen" and "the average daily trading value of at least 20 million yen" had not been satisfied. However, as a result of the enhanced IR activities and shareholder returns, the average daily trading value as of May 31, 2022 reached 39 million yen according to our estimate, and thus it satisfied the criterion. Meanwhile, however, the market capitalization of tradable shares was 5.86 billion yen as of May 31, 2022, failing to reach the target. According to our calculation based on the list of all shareholders as of May 31, 2022, including those of shares held for the purpose of net investment, the market capitalization of tradable shares is 6.75 billion yen and the ratio of tradable shares is 47.8%. Moving forward, we will continue to promote various efforts to satisfy the criteria for remaining listed by May 31, 2024, such as the efforts to improve corporate value through capital investment and M&A and increasing the number of tradable shares by implementing stock-related measures.

Cash Flow Management and Investment Strategies

Creating cash flows by increasing cash from operating activities and liquidating fixed assets

We proactively make various forms of investment to reinforce existing businesses and expand the business fields. Under the SGW, a total of 10 billion yen will be invested in three years from the fiscal year ended May 2022 to the year ending May 2024. To this end, we place emphasis on the creation of cash flows and have set a target of securing free cash flows of 3 billion yen or more each year.

To create cash flows, we have been working to increase cash from operating activities and set an operating margin of 5% or higher as a target in the SGW. Moreover, we will make efforts to keep the level of current assets, such as accounts receivable and inventory, at an appropriate level and liquidate fixed assets by selling securities and land, etc. In fiscal year ended May 2022, cash flows worsened temporarily due to inventory increase under the impact of the production reduction by automobile manufacturers. But we will secure cash by returning inventory to an appropriate level as soon as possible.



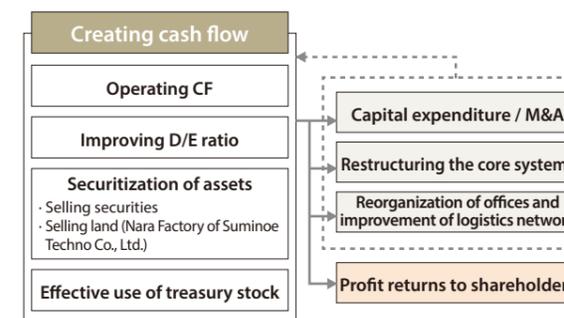
M&A and investment for the next generation

As for M&A, we acquired CPO Co., Ltd. in fiscal year ended May 2021 and PRETERIOR-TEXTILE Inc. in January 2022 to expand the Space Design Business in the Interior Fittings segment. By enhancing the synergetic effect between our existing interior business and these two companies, we will expand our business domain.

Regarding capital investment, the reorganization of Nara Factory, a project we have been engaged in since fiscal year ended May 2019, was completed in the fiscal year under review (→ p.27). For the reorganization project, we made active investment in logistics facilities to substantially improve the storage capacity and logistics efficiency of the Nara Factory. Based on this, we will integrate our logistics bases, which were dispersedly located, at the Nara Factory, thereby achieving further improved logistics efficiency and cost reduction. As for investment in restructuring of core systems, we have been simultaneously promoting reengineering of the production management system to improve efficiency in business operation through information sharing among departments of manufacturing, procurement and sales (→ p.50) and of the accounting system mainly for management of receivables and payables to improve operations and realize timely response to regulatory revisions by electronification and sharing of information (→ p.48).

For human resources, based on training through OJT, employees are provided with a combination of training programs, including the level-based program offered at every promotion since joining the company, next-generation leader training using business schools, and training for skill improvement for all employees. We will proactively create opportunities to develop and utilize human resources in a well-balanced manner.

Overview of Investment Plan



Improve Financial Structure

Reducing interest-bearing debt to achieve an optimal capital structure

In improving the financial structure, we focus on the D/E ratio. We have incorporated the improvement plan in the SGW, aiming at about 0.5 times in fiscal year ending May 2024. The D/E ratio for fiscal year ended May 2022 was 0.67 times, about the same level as the previous year, due to an increase in interest-bearing debt as a result of temporary worsening of cash flows. We will make efforts, along with the various measures to create cash flows, to reduce interest-bearing debt to achieve an optimal capital structure.

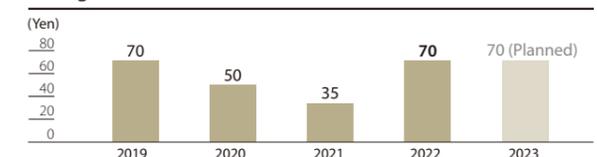


Shareholder Returns

Ensuring stable dividend payment and introducing a shareholder special benefit program

Our basic policy of shareholder returns is to ensure stable dividend payment to our shareholders and properly allocate the surplus, taking into consideration the trends in business performance and investment for business expansion. Starting from fiscal year ended May 2022, we introduced a shareholder special benefit program to enhance shareholder returns.

Changes in Dividends



Strengthening Communication with Investors

Enhancing disclosure materials and proactive IR activities

To raise the level of our recognition and reliability both inside and outside Japan, we are working to enhance investor relations (IR) activities. Our IR efforts include enhancing the contents of the integrated report and various other information disclosure materials and translation to English thereof, publication of paid analyst reports, increasing individual meetings with institutional investors, and posting the proceedings of financial results briefings on our corporate website to enhance information provision for individual investors.

We will continue to promote activities aimed at an optimal capital structure, which will lead to new growth and improved corporate value of our Group.

Basic Approach to Sustainability

In the course of promoting ESG management, the Group formulated the Medium- to Long-term Management Targets "SUMINOE GROUP WAY 2022-2024-2027." We believe that it is important to identify key sustainability issues to be focused on and address these issues through its business operations. Based on this idea, we will promote business operations while flexibly accommodating changes in the external environment surrounding the Group.

Formulation of the Basic Policy on Sustainability and Related Policies

In June 2022, we formulated the Basic Policy on Sustainability, as well as Sustainability-Related Policies, which summarizes a variety of environmental and social policies.

In the environmental aspect, in response to the growing climate change risks in recent years, the Suminoe Textile Group established its Second SUMINOE Environmental Declaration in April 2022 by revising the Group's "SUMINOE Environmental Declaration," which was formulated in 2009 based on the Interior Environment Improvement Declaration, announced in 1998. In the social aspect, we established policies regarding human resource development, diversity and inclusion, health management, and work-life balance, in addition to the existing health and safety policy. With regard to the human rights policy, the Group is aware of the need to develop a human rights policy that includes a human rights due diligence process to identify risks of human rights violations in our business activities and to prevent and mitigate these risks. We plan to formulate a human rights policy in conjunction with the CSR procurement policy in the future.

Going forward, we will continue to effectively implement various measures following the applicable policies, thereby further strengthening ESG management, and accelerate initiatives to resolve all kinds of social issues.

Basic Policy on Sustainability

The Suminoe Textile Group contributes to the realization of a sustainable society by achieving sustainable growth through sound, transparent management and business activities in harmony with society and the environment while observing its Code of Conduct and Standards of Conduct, both of which are based on the Corporate Philosophy.

Framework of Basic Policy on Sustainability



Initiatives for Promoting Sustainability

The Group holds CSR Promotion Committee meetings three times a year, under the Corporate Governance and CSR Promotion System (see p.45). At these meetings, the Committee members make decisions on the policies for activities related to CSR and sustainability, deliberate on activity plans, and confirm their progress.

SDGs on Which the Suminoe Textile Group Focuses

The Group has selected the following seven goals from among the 17 Sustainable Development Goals (SDGs) as priority targets on which the Group focuses, in order to help resolve social sustainability issues through our business operations.

 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	

SGW SUMINOE GROUP WAY 2022~2024~2027 Measures for ESG Initiatives

In the non-financial area of the Medium- to Long-term Management Targets "SUMINOE GROUP WAY 2022-2024-2027," the Group has stipulated measures for ESG initiatives.

	Purpose	Measures (initiatives)	Target period	Evaluation period	Reference page
E	Reduce CO ₂ emissions.	Reduce CO ₂ emissions in the business activities. Increase volume of contribution to the reduction of CO ₂ emissions through products.	—	Each fiscal year	P35 P35
	Contribute to a decarbonized society.	Develop and sell environmentally friendly products.	—	Each fiscal year	P36
S	Improve workplaces for more safety and security.	Review, transmit, educate and disseminate our human rights policy.	—	FY2024 and onward	P39
		Conduct training for the prevention of harassment.	—	Each fiscal year	P40
		Eliminate occupational accidents.	—	Each fiscal year	P43
	Diversity and inclusion	Acquire "Certified Health & Productivity Management Outstanding Organizations."	By FY2025	—	—
		Teleworking and off-peak commuting system	—	FY2023 and onward	P40
		Support for life-work balance (work, childrearing and nursing care)	—	Each fiscal year	P40
		Paid leave by the hour, flex-time system	—	FY2024 and onward	—
		Promote women's participation.	—	Each fiscal year	P39
		Employ people with disabilities.	—	Each fiscal year	P39
	Participation and cultivation of human resources	Employ foreign workers.	—	Each fiscal year	P39
		Participation of senior employees	—	Each fiscal year	P39
		Education for human resources (IT literacy, education for corresponding stages, etc.)	—	Each fiscal year	P41
Career self-declaration system		—	FY2023 and onward	P42	
Omnidirectional communication	Job rotation	—	FY2024 and onward	—	
	Review of human resources management and evaluation systems	—	FY2024 and onward	—	
Social contribution activities	Dissemination of corporate philosophy and management policy, and the progress will be shared. Consider the timely disclosure of information and transmit it.	—	Each fiscal year	P44 —	
	Communication between departments	—	Each fiscal year	P44	
G	Enhance governance.	Contribution in cases of disasters	—	Each fiscal year	P44
		Support and donation for poverty and starvation	—	Each fiscal year	P44
		Restructure the core systems.	By May 2024	—	P48
		Promote interactive in-house communication through top management's frequent visits to workplaces.	—	Each fiscal year	P48
		Continue to conduct compliance training.	—	Each fiscal year	P49
		Further disseminate "Corporate ethics hotline."	—	Each fiscal year	P49
Strengthen global risk management.	—	Each fiscal year	P50		
BCP action plan	—	Each fiscal year	P50		

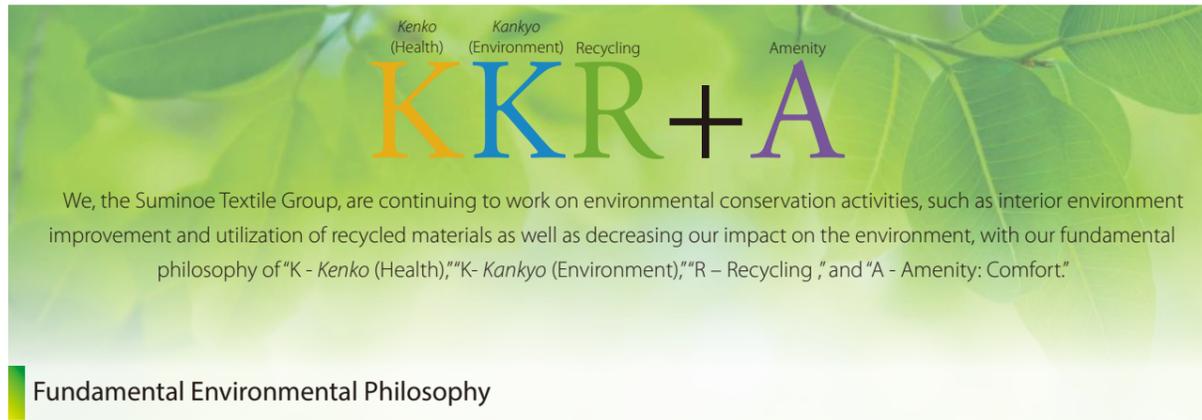
CSR Plan

Focusing on our medium- and long-term "ideal corporate image," we have formulated the Medium- to Long-term Management Targets as well as the 3rd Medium-term CSR Plan (for 2021 to 2024), in which our key CSR issues are identified. To address these issues, the Group is moving ahead with various initiatives. As for our CSR initiatives, the 3rd Medium-term CSR Plan, and the results of CSR activities in fiscal 2022, please visit a webpage by scanning the 2D barcode on the right.



Environment

E Environment



Fundamental Environmental Philosophy

Recently, deterioration of the global environment has rapidly been progressing. It is a mission in common among human beings who live on Earth to make efforts to preserve and improve the global environment and hand the beautiful earth down to our descendants. With this recognition, the Suminoe Textile Group will create a comfortable and rich society with the cooperation of all the employees positively tackling environmental preservation activities.

Second SUMINOE Environmental Declaration

Since the announcement of "KKR+A (Kenko [Health], Kankyo [Environment], Recycling and Amenity)" in 1998, the Suminoe Textile Group has been actively engaged in environmental conservation activities, such as interior environment improvement and utilization of recycled materials as well as decreasing our impact on the environment. In the Second SUMINOE Environmental Declaration formulated this time, we aim to promote global strategies to ensure that our products will be used by many more people and to promote "KKR+A" around the world. We will make Group-wide efforts to take on challenges to achieve our aim.

1 We shall provide healthy and environmentally friendly products.

We will provide safe and secure products to our customers by properly managing chemical substances used in our products based on the Green Procurement Guidelines regarding legal regulations and restrictions on materials used in products.

2 We shall work to prevent global warming.

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 of materials and products, material utilization, and waste disposal during manufacturing, thereby promoting resource and energy conservation throughout the supply chain.

3 We shall address the circulating society.

To contribute to the reduction of industrial waste and the recycling of resources in the life cycle of products, we will actively use recycled materials as part of our efforts to promote environmental conservation and the efficient use of resources.

4 We shall promote the reduction of CO₂ emissions.

To play a part in realizing a decarbonized 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 life cycle of products – materials, manufacturing, transportation, use, and disposal.

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 interior 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 2001, 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.

	ISO 14001 : 2015			Eco Action 21: 2017
	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	7th renewal completed (May 2021)	7th renewal completed (April 2022)	6th renewal completed (July 2020)	4th renewal completed (July 2021)

Environment

E Environment

Eco Challenge 2024

Business activities undertaken by the Suminoe 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 Suminoe 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. To promote sustainability, we place focus on environmental conservation, and Group-wide efforts are underway to achieve the goals set under Eco Challenge 2024.

Eco Challenge 2024

As a set of goals on environmental activities, we have formulated Eco Challenge 2024, which covers the three years from fiscal 2022 to 2024.

Activity Goals and Fiscal 2022 Results

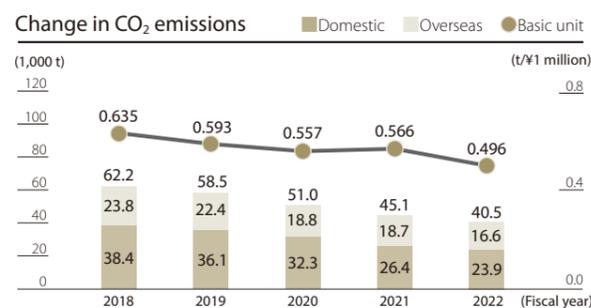
	Work areas	Index	Final numerical targets	Base FY	FY2022 numerical targets	FY2022 results	Evaluation
1	Prevention of global warming	Reduction of CO ₂ emissions (energy consumption)	Reduce by 3% (basic unit).	2021	Reduce by 1% (basic unit).	Reduced by 12.4% (basic unit).	○
2	Resources conservation	Increase in utilization rate of recycled resources (major factories in Japan*)	Increase 3%.	2021	Increase by 1%.	Increased by 15.9%.	○
3	3Rs regarding waste material	Reduction of industrial waste	Reduce by 3% (basic unit).	2021	Reduce by 1% (basic unit).	Reduced by 12.3%.	○
		Increase in recycling rate	65% or more	—	65% or more	42.5%	△
		Reduction in rate of waste disposed of in landfills	10% or less	—	10% or less	32.2%	△
4	Prevention of environmental pollution	Reduction of air pollution (reduction of N ₂ O emissions)	Reduce by 3% (basic unit).	2021	Reduce by 1% (basic unit).	Reduced by 6.5% (basic unit).	○
5	Promotion of green activities	Increase in green purchasing rate for office supplies (in Japan)	95% or more	—	95% or more	91.1%	△
6	Promotion of LCA assessment for products	Perform LCA for 18 items	—	—	6 items	16 items	○
7	Promotion of development of environment-friendly technologies	3 cases	—	—	1 case	1 case	○
	Promotion of development of environment-friendly products	9 cases	—	—	3 cases	3 cases	○
8	Promotion of biodiversity preservation in business activities	—	—	—	—	—	—

Basic unit: Consolidated sales used as a denominator for calculation
 Emission factor: For domestic factories, the amounts of CO₂ and N₂O emissions are calculated based on an emission factor set in accordance with the law to promote measures against global warming. For overseas factories, the calculation is based on an emission factor set for each country in the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
 * Major factories in Japan: Shiga Factory and Nara Factory Suminoe Techno Co., Ltd., Teijin Techno Ltd., and Head Office Factory and Ishikawa Factory Owari Seisen Co., Ltd.

Results for Fiscal 2022

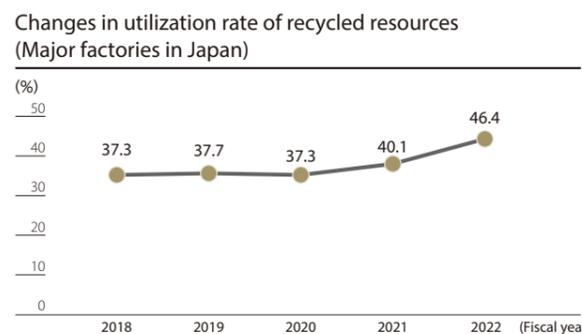
① Prevention of Global Warming

We assess the impact of our corporate activities on global warming based on CO₂ emissions.



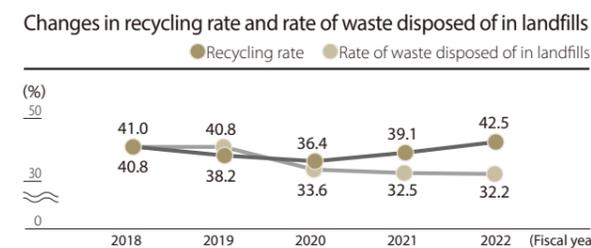
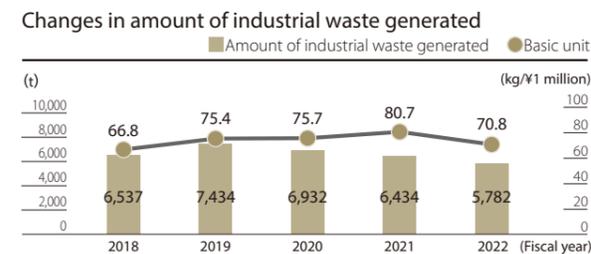
② Resources Conservation

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



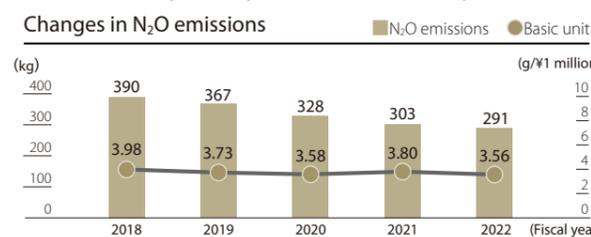
③ 3Rs regarding Waste Material

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.



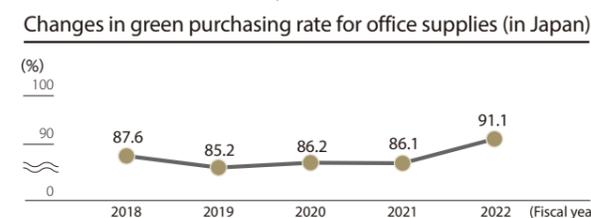
④ Prevention of Environmental Pollution

Among atmospheric contaminants, nitrous oxide (N₂O) is used here as an example to explain the situation of air pollution.



⑤ Promotion of Green Activities

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.



⑥ Promotion of LCA* Assessment for Products

We have conducted in-house LCA assessments for our products since fiscal 2016. In fiscal 2022, we carried out LCA assessments for 16 items.

* 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.

⑦ Promotion of Development of Environment-Friendly Technologies and Products

● Promotion of Development of Environment-Friendly Products

Introduction of waste plastic recycling technology and equipment To recycle waste textile materials into high-quality plastic resources

● Promotion of Development of Environment-Friendly Products

- 1) "e.colore® (eco-loré)2," which is undyed and non-printed automotive seat covering material
- 2) AVANCERA FLOOR, loose-lay vinyl floor tiles, made of about 53% recycled materials
- 3) "Scene," a rug made of 50% recycled polyester

⑧ Environmental Activities for Preserving Biodiversity in Business Operations

● 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) 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

Each factory has been implementing activities, taking advantage of the regional characteristics.

Factory	Activity
Nara Factory of Suminoe Textile Co., Ltd.	Participating in the Ando Ouyu-Kai, an association that works to develop a cherry tree-lined promenade in the area along the Okazaki River
Shiga Factory of Suminoe Techno Co., Ltd.	Propagating the Sasayuri lily on the factory premises
Factory at the head office of Owari Seisen Co., Ltd.	Helping protect fireflies as a supporting member of the Ichinomiya Heisei Firefly Association

Environment



Initiatives to Address Climate Change Issues

The Group's Policy for Addressing Climate Change Issues

The Suminoe Textile Group considers climate change to be one of the important issues for management to address. Since the announcement of "KKR+A (Kenko [Health], Kankyo [Environment], Recycling and Amenity)" in 1998, the Suminoe Textile Group has been actively engaged in environmental conservation activities, such as interior environment improvement and utilization of recycled materials as well as decreasing our impacts on the environment. In the Second SUMINOE Environmental Declaration formulated in April 2022, we aim to promote global strategies to ensure that our products will be used by many more people and to promote "KKR+A" around the world. We will make Group-wide efforts to take on challenges to achieve our aim.

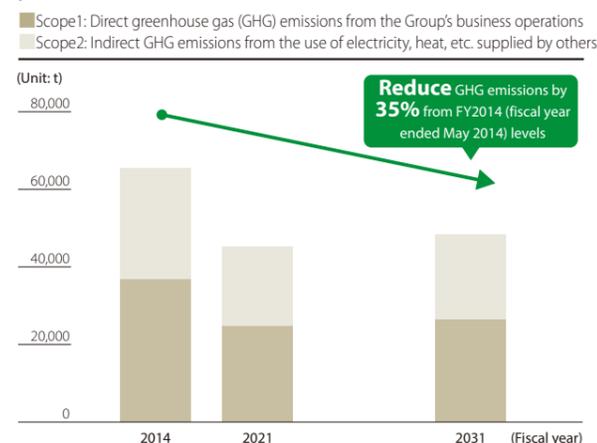
Target for Reducing Greenhouse Gas Emissions

In accordance with the policy of the Medium- to Long-term Management Targets "SUMINOE GROUP WAY 2022-2024-2027," the Group established its long-term target for reducing greenhouse gas (CO₂) emissions in April 2022.

Specifically, by FY2031 (fiscal year ending May 2031) all the Group companies will strive to reduce CO₂ emissions in business activities by 35% from the levels of FY2014 (fiscal year ended May 2014).

To promote the reduction of CO₂ emissions resulting from our business activities, we will implement concrete measures, including improving logistics systems, unifying the production bases, improving energy efficiency, changing fuels used, and promoting working style reforms. In conjunction with these measures, we will strive to expand sales of environmentally friendly products. Through these two approaches, the Group will contribute to the realization of a decarbonized society.

Target for reducing greenhouse gas (CO₂) emissions per unit of sales



* As for Scope 3 (Indirect emissions that are generated by other companies related to the Group's business operations, excluding Scopes 1 and 2), we are currently preparing to calculate the emissions.

Support for TCFD Recommendations

In July 2022, the Group declared its support for the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) to further strengthen its effort to address climate change issues. We have identified the climate-related risks and opportunities, based on analyses of the 2°C scenario and the 4°C scenario. In the future, these identified risks and opportunities will be reflected in our business strategies and risk management. We will also appropriately disclose information in alignment with the TCFD's recommended disclosures.



What is TCFD?

TCFD stands for the Task Force on Climate-related Financial Disclosures, which was established in December 2015 by the Financial Stability Board (FSB) at the request of the G20 countries, to encourage companies and institutions to disclose information about financial impacts of climate change on these organizations.

While companies and institutions may face climate change-related risks that are invisible in short-term financial statements, their contribution and attention to a decarbonized economy will offer new opportunities for enhancing corporate value. To ensure the stabilization of the financial system and help investors and lenders make appropriate investment and lending decisions, information on climate change-related risks and opportunities has assumed greater importance, requiring uniform disclosure standards. Against this backdrop, the TCFD published its final report in June 2017. It recommends that companies and other entities disclose information on governance, strategy, risk management, and metrics and targets related to the risks entailed in and opportunities offered by climate change, providing a basic framework for such disclosures.

Four items of the TCFD recommendations and descriptions of each item

Governance	The organization's governance around climate-related risks and opportunities
Strategy	Significant impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning
Risk Management	The processes used by the organization to identify, assess, and manage climate-related risks
Metrics and Targets	The metrics and targets used to assess and manage relevant climate-related risks and opportunities

What is scenario analysis?

The TCFD recommends that companies and other organizations conduct scenario analysis, which is a useful means of forecasting the future when designing their strategies. Scenario analysis is the process of forecasting the direct impacts of climate change as well as what changes could occur in the business environment due to long-term policy trends related to the response to climate change and of examining the potential impacts of these changes on the company's business strategies. There are two methods of scenario analysis. One is creating the company's own scenarios and the other is using existing scenarios provided by industry groups or international organizations (e.g., the "2°C Scenario" proposed by the IEA) as a reference. By performing scenario analysis, companies and other organizations can assess their potential future states while making assumptions about different hypothetical futures. Then these organizations disclose their future assessments, with which investors and lenders can understand the vulnerabilities to risks and potential opportunities of these organizations, and how they respond to climate change-related risks and opportunities.

Scenario Analysis in Line with the TCFD Recommendations

With regard to the risks and opportunities indicated in the TCFD final report, we have assessed the magnitude of impacts that climate change would have on the Group's business and financial performance, based on the "2°C or lower scenario" and the "4°C scenario."

State of the world anticipated based on the 2°C or lower scenario and the 4°C scenario

2°C or lower scenario	A scenario where strict measures are taken to reduce CO ₂ and other GHG emissions so that the increase in the global average temperature in 2100 is limited to less than 2°C (0.9 – 2.3°C) above pre-industrial levels. Toward a decarbonized society, governments implement bold policies and promote technological innovations. Due to strengthened policies, "transition risks" have great impacts.
4°C scenario	A scenario where the current measures against climate change go unchanged globally so that the average temperature rises around 4°C (3.2 – 5.4°C) above pre-industrial levels. While risks associated with the transition to a decarbonized society decrease, natural disasters continue to worsen, resulting in increased "physical risks," such as extreme weather events.

Assessment of impacts that climate change-related risks and opportunities will have on the Group's business and financial performance

Examples of climate change-related risks/opportunities according to the TCFD final report		Analysis of impacts on the Group*			
Category of risks/opportunities	Major aspects/viewpoints	2°C or lower scenario	4°C scenario	Example of potential impacts	
Risks Transition risks Risks associated with the "transition" to low-carbon economy	Policy and legal risks	• Stricter regulations on GHG emissions • Expanded obligations to disclose information	↑	↗	• Increased costs for switching to renewable energies and energy-saving equipment • Increased costs related to information disclosure
	Technology risks	• Replacement of existing products with lower-carbon technology options • Introduction of new technologies	↑	↗	• Write-offs and early retirement of existing assets • Increased costs for system changes and introduction of new processes • Increased workload in business operations, for modification management, etc.
	Market risks	• Changing customer behavior • Uncertainty in market signals (greater difficulty in forecasting market movements with conventional ways of thinking) • Increased cost of raw materials	↗	→	• Shift in consumer preferences and reduced demand, resulting in decreased revenues • Increased production costs • Increased costs for waste treatment
	Reputation risks	• Shifts in consumer preferences • Stigmatization of the sector that makes less contribution to low-carbonization • Increased stakeholder concern or negative stakeholder feedback	↗	→	• Decreased demand and revenues due to changes in the company image perceived by consumers • Increased measures to address stakeholder feedback regarding the company's response to climate change
Risks Physical risks Risks associated with "physical" changes caused by climate change	Acute risks	• Increased severity and number of extreme weather events such as cyclones and floods	↗	↑	• Decreased capabilities for production and distribution due to ceased facility operations, interruptions of transportation means and supply chains, etc.
	Chronic risks	• Changes in precipitation and weather patterns • Rising mean temperatures • Rising sea levels	↗	↑	• Negative impacts on workforce (e.g., health, safety, absenteeism) • Increased costs of provisions for damage to facilities
Opportunities	Resource efficiency Positive impacts associated with improved efficiency in resource utilization	• More efficient production and distribution processes • More efficient modes of transportation • Use of recycling • Reduced water usage and consumption	↗	→	• Increased production capacity, resulting in increased revenues, due to efficient improvements in production and distribution processes and modes of transportation • Cost reduction resulting from improved efficiency in resource utilization related to business operation
	Energy source Positive impacts associated with a shift to low-carbon energy sources	• Use of low-carbon energy sources • Use of new technologies • Shift toward energy security and decentralized energy generation	↗	→	• Reduced exposure to fossil fuel price increases • Reduced exposure to GHG emissions and therefore less sensitivity to changes in social cost of carbon
	Products and services Positive impacts associated with the needs of a low-carbon society	• Development and/or expansion of low-carbon goods and services • Development of new products or services through R&D and innovation • Diversified business activities and a shift in consumer preferences	↑	↗	• Increased revenues through satisfying demand for products that emit fewer GHG emissions • Better competitive position to reflect shifting consumer preferences, resulting in increased revenues
	Market Positive impacts associated with changes in the market and economy due to the trend toward a low-carbon society	• Access to new markets	↑	↗	• Increased revenues through business expansion into new and emerging markets
	Resilience Positive impacts associated with resilience to climate change	• Promotion of renewable energy programs and energy-saving measures • Resource substitutes/diversification • Increased reliability of supply chain	↑	↗	• Increased corporate valuation due to resilience to climate change (resilience plan contents, establishment of a stable supply chain, diversity of alternative resources, etc.)

* The directions of respective arrows indicate that potential business and financial impacts will be: ↑ Very significant, ↗ Somewhat significant, → Insignificant

Social



Respect for Human Rights

Basic Approach

The Group's Standards of Conduct lays out that "We shall ensure a sound working environment where no employees are harassed or discriminated against because of their race, beliefs, religion, nationality, physical features, etc." Based on this provision, we are in the process of formulating a human rights policy including "human rights due diligence."

Diversity and Inclusion

Basic Policy

The Suminoe Textile Group fosters an organizational culture where capable and highly motivated employees can succeed, and creates new value and innovation, by accepting and respecting diversity in personal values and attributes, such as nationality, race, religion, gender, age, and physical features.

Promoting Women's Participation

Results of women's empowerment initiatives

(Group companies in Japan) As of the end of May each year

Item	2021		2022	
	Male	Female	Male	Female
Number of new graduates hired	10	7	17	19
Percentage of female managers/supervisors* (%)	11.1		10.4	

*Percentage of female employees whose positions correspond to section chief or higher at the Group companies in Japan

Below are the results of activities implemented by Suminoe Textile Co., Ltd. under its 3rd action plan (June 1, 2020 to May 31, 2022), which the Company established based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

Targets	Evaluation
1-①: Raise the ratio of new female graduates hired to 35% or more.	△ (32%)
1-②: Implement initiatives to increase the number of female managers and supervisors.	○
2: Implement initiatives to create an environment where both male and female employees can succeed while striking a balance between career and family life.	△
3: Have one or more male employees taking childcare leave and maintain the rate of female employees taking childcare leave at 100%.	○

Based on the Act on Promotion of Women's Participation and Advancement in the Workplace, Suminoe Textile Co., Ltd. has formulated its 4th action plan (June 1, 2022 to May 31, 2024), as reported below.

Targets
1-①: Raise the rate of new female graduates hired to 35% or more.
1-②: Implement initiatives to increase the number of female managers and supervisors.
2-①: Implement initiatives to create an environment where both male and female employees can succeed while striking a balance between career and family life.
2-②: Increase the rate of male employees taking childcare leave to 25% or more and maintain the rate of female employees taking childcare leave at 100%.

Action plans of other Group companies are published in the Database on Promotion of Women's Participation and Advancement in the Workplace, which is run by the Ministry of Health, Labour and Welfare.

Participation of Senior Employees

The Group has a system of re-employing former employees who have retired at the mandatory age of 60 as "Senior Employees," offering them a workplace where they can use their career, capabilities and aptitudes. This system is intended to take advantage of the knowledge and experience accumulated by Senior Employees and pass their expertise on to younger employees.

Re-employment rate (Group companies in Japan)

Item	2021	2022
Re-employment rate (%)	85.2	83.8

Employment of Foreign Nationals

In line with our recruitment policy of securing "diverse human resources," we have employed capable individuals regardless of nationality. This fiscal year, we hired one foreign national, so a total of 38 foreign employees* are working with us.

* Only Group companies in Japan

Employment of People with Disabilities

Based on the Diversity and Inclusion Basic Policy, we strive to achieve the legally required percentage of employees with disabilities.

Employment rate of people with disabilities

(Group companies in Japan) As of the end of March each year

Item	2021	2022
Employment rate of people with disabilities (%)	1.71	1.56

Health Management

The Group stipulates that "We give the highest priority to securing people's safety and health in all the processes of all business activities" in its Code of Corporate Behavior. Based on this provision, we will promote initiatives for securing safe work environments and people's health.

Health Management Declaration

The Suminoe Textile Group believes that mental and physical health of individual employees form a foundation for its business growth. If employees can enjoy working in good health, it will lead to the happiness of employees as well as to the Group's growth as a "good enterprise." The Group also upholds health in its fundamental development philosophy "KKR+A" (Kenko [Health], Kankyo [Environment], Recycling, and Amenity). Along with various business activities related to health, we will practice health management through proactive health promotion initiatives.

Contents of initiatives

Initiatives	Details
Promotion of a work-life balance	Support employees in striking a balance between career and family life by such means as establishing a system that accommodates diverse work styles.
Measures against lifestyle-related diseases, etc.	Prevent and early detect lifestyle-related diseases, etc., and help employees improve their health based on the results of their health checkups.
Measures against mental health problems	Implement activities to prevent and alleviate stress, by such means as conducting stress checkups to make them aware of their stress levels and providing consultation services and training programs.
Raising health improvement awareness	Implement activities to make employees aware of the importance of maintaining and improving their health in daily life, by disseminating health information and providing health counseling services.

Work-Life Balance

Basic Policy

The Suminoe Textile Group implements initiatives to allow employees to work in a flexible manner according to various life events, based on the idea that enhanced work-life balance is important for them to continue working with enthusiasm.

Supporting a Balance between Career and Family Life (Childcare/Family Care)

Creation of a workplace environment where employees can easily use support systems

The Group has established various systems to support employees in striking a balance between work and childcare/family care. To make it easier for employees to use such systems, these systems should be well understood by their supervisors and people around them. Suminoe Textile Co., Ltd. has prepared a handbook that provides explanation about these support systems for supervisors and has posted the handbook on the in-house intranet.

Number of employees who used childcare/family care supporting systems (Group companies in Japan)

Item/sex		2021	2022
Childcare leave, etc.	Number of employees who took childcare leave	Male	3
		Female	12
	Number of employees who returned to work after childcare leave	Male	3
		Female	11
Family care leave, etc.	Number of employees who reduced working hours	Male	0
		Female	17
	Number of employees who advanced/postponed work start/finish times	Male	0
		Female	5
Family care leave, etc.	Number of employees who took family care leave	Male	2
		Female	2
	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	

Working from Home and Staggered Working Hours

Measures to accommodate flexible work styles

On June 1, 2022, Suminoe Textile Co., Ltd. and Suminoe Teijin Techno Co., Ltd. officially instituted systems for working from home and staggered working hours, both of which were introduced as temporary measures in the COVID-19 crisis. Working from home is available for employees who care for children, the elderly and other family members as well as for other employees who have unavoidable reasons, whereas all employees can use staggered working hours. In addition, SUMINOE Co., Ltd. also introduced the work-from-home system on August 1 of the same year. We aim to apply these systems to other Group companies in the future.

Promoting Measures to Remedy the Issue of Long Working Hours and to Encourage the Use of Paid Leave

Discussions on how to reduce employees' working hours

The First Human Resources Subcommittee regularly holds meetings to report on and discuss improvement measures taken by each Group company to reduce employees' working hours. As for the use of paid leave, the rate of employees using paid vacation days increased from the previous year.

Use of paid leave (in Group companies in Japan)

Item	2021	2022
Use rate of annual paid leave (%)	59.4	60.4

Implementing Harassment Prevention Training

Continuous implementation of training at various operation sites

This fiscal year, a communication training program was held at Suminoe Techno Co., Ltd., the Nagoya Sales Office of SUMINOE Co., Ltd., Owari Seisen Co., Ltd., and Teijin Teclath Ltd. The training program was aimed at harassment prevention so as to facilitate the establishment of smooth relationships at workplaces.

Social



Human Resource Development and Utilization

Basic Policy on Human Resource Development

The Suminoe Textile Group considers human resources to be the source of sustainable corporate growth and the most important assets. The Group cultivates professional and creative human resources, paying respect to the personalities and characteristics of individual employees.

Human resource development programs

- Personnel education is provided basically through OJT (on-the-job training).
- Our training curriculum comprises training programs for young employees (respectively designed for new recruits, for second-year employees, and for third-year employees) and level-based programs offered at every promotion (training for leaders, supervisors, and managers).
- From among employees in their 30s and 40s, those selected will receive the next-generation leader training program, which uses business schools and in-house collective training sessions.
- All employees are provided with opportunities for self-development (through corresponding courses, language training, skill improvement training, etc.).

Education system

	Level-based	Role-based	Selective	Selective (for self-development)	
	Collective training				
Managers	Management training	Evaluator training	OJT instructor training	Skill improvement training (theme-based)	Corresponding course
Mid-career employees	Supervisor training				
	Leader training				
Young employees	Training for third-year employees			Language training	
	Training for second-year employees				
	Training for new employees				

Next-Generation Leader Training

Prospective next-generation leaders proposing future business strategies

For seven months, 11 employees who were selected as prospective next-generation leaders of the Group underwent the training program for nurturing such leaders. These employees first participated in training held at a business school. Then these employees were divided into three teams and received in-house collective training, where they devised plans for business strategies to be implemented by the Group in the future. On the final day of the training, each team of trainees presented their plans to executives. At a later date, their presentations were shared through the in-house intranet to raise awareness of all employees.



A team of trainees presenting their plan

Skill Improvement Training

Initiatives aimed at improving skills of employees

We have continuously held online training programs for skill improvement, inviting instructors outside the Company. This fiscal year, seminars were held on MS Word and Excel, which are useful in work efficiency enhancement, effective use of online communication tools, and how to improve presentation skills. These training programs received many applications from several Group companies in Japan. A total of 315 employees participated in these programs.

Number of employees taking training

(FY2022)

Training type		Total	Male	Female
Level-based	New employees, 2nd and 3rd employees, leaders, supervisors, managers	147	100	47
Role-based	Evaluators, OJT instructors	22	16	6
Selective	Skill improvement	315	171	144
	Self-development (corresponding course)	116	62	54
Nomination/selective	Self-development (language training)	22	19	3
	Next-generation leader training	11	10	1

Interviews with Employees to Promote Communication

Creating a comfortable working environment

Suminoe Textile Co., Ltd. implements interviews with employees to promote communication with them. Around November every year, new employees are interviewed about their problems, anxieties, work motivation, and so on. These interviews are aimed at establishing a relationship of trust that makes it easier for new recruits to express their opinions to and consult with their supervisors and at improving the percentage of young employees who stay in the Company. In addition, the opinions submitted through these interviews are utilized for producing new proposals on a new system and for resolving workplace issues.

Interviews with Employees for Fostering Next-Generation Leaders

Encouraging the Career Development of Young Employees

Suminoe Textile Co., Ltd. held "interviews for fostering next-generation leaders" with nine young employees who were in their sixth year of employment. An interview was held twice for each employee. In the first round of interviews, these young employees designated one of their senior employees who they wish to hear from. The designated seniors talked about the troubles, targets, approaches to the job and the like that they had as young employees. These seniors also told their present views and gave advice to these juniors. In the second round, the Human Resources Department Director interviewed the young employees on their present work and future career for about one hour. Going forward we will continue to hold these interviews and intensify our efforts to establish a system that helps young employees reaffirm their own goals and that supports their personal growth.

Career Self-Declaration System

Cultivating Independent and Autonomous Human Resources

Suminoe Textile Co., Ltd. is considering establishing a "career self-declaration system" by which employees can declare to their department managers and the Company what kind of career path they wish to pursue in the future. The major purpose of the system is to cultivate autonomous human resources by encouraging employees to think about their future career and to proactively engage in their jobs. The system is also expected to prove effective in promoting personnel transfers based on the contents of these declarations. To make the system viable, the Third Human Resources Subcommittee held a meeting for exchanging views. Participating members advanced many opinions regarding advantages and disadvantages of instituting such a system and submitted ideas for creating a better system. Based on these opinions and ideas, we plan to develop a draft plan for the system in the future.

Topics

Suminoe Techno Co., Ltd Launching a Transfer Request Self-Declaration System

Self-declaration of employees' wishes to transfer to their desired departments

In March 2022, Suminoe Techno Co., Ltd. launched a transfer request self-declaration system. This system can be used by employees with skills at an intermediate or higher level, after three years have passed since they were assigned to the current departments. It is designed to improve job satisfaction through transfers of employees to a department of their choice and to revitalize the organization by putting the right person in the right job.

Questionnaire Survey on Workplace Comfort (In-house Employees' Opinion Survey) 2022

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

This year's survey consisted of three questions asking respondents to freely write about their ① opinions on the Group's compliance and corporate culture, ② ideas for development and utilization of diverse human resources, and ③ ideas for activating communication between different departments.

In response to question ①, many employees expressed positive opinions saying, "The Group secures good compliance." However, as to question ②, some respondents pointed out insufficient progress in initiatives for human resource development, promotion of women's participation, promotion of a life-work balance, and the personnel transfer system. In answering question ③, some employees commented that it may be a good idea to hold opinion exchange meetings, and some others suggested that employees should mutually present the jobs of their respective departments. The survey results are shared with the Management Meeting and the responsible personnel in each department. Also, a summary of these results is made accessible to all employees through the in-house intranet.

In the future, based on the opinions and ideas obtained through the survey, we plan to implement "initiatives to maximize human capital," as effective measures in line with the basic policy on sustainability and sustainably-related policies as well as the Medium- to Long-term Management Targets.

Initiatives to maximize human capital (planned as of August 1, 2022)

- "Career self-declaration system" for facilitating self-directed career development of employees
- Interactive communication between employees and management and between different departments

With regard to human resource development, we will redefine our corporate philosophy and brand value and review the current human resource strategies based on the Basic Policy on Sustainability and Sustainability-Related Policies.

Human resource strategies (planned as of August 1, 2022)

● System and measures

- Management system (organizational culture and organization management)
- Strengthening measures (sharing of the corporate philosophy, recruitment of diverse human resources, strengthening of management capability of managers, enhancement of training and education, and review of the personnel system)

● Matters in preparation

- Redefinition of corporate philosophy and brand value for "purpose branding"
- The type of person we are looking for

Social



Developing a Safe and Secure Work Environment

Promotion of Occupational Health and Safety in the Suminoe Textile Group

“Safety First”—the first and foremost priority is safety.

The Suminoe Textile Group regards “safety” as the most important theme. Giving the highest priority to securing people’s safety and health in all processes of all its business activities, the Group works to prevent occupational accidents and create a comfortable working environment.

Suminoe Textile Group Safety Code of Conduct

- Top management always takes the initiative in improving the safety culture and sets a good example for employees.
- We build up a workplace climate of safety first.
- We comply with applicable laws and regulations and the in-house regulations.
- We aim to improve the work environment with the participation of all employees.
- We take proactive measures to ensure safety by predicting potential risks.
- We conduct safety education and drills.

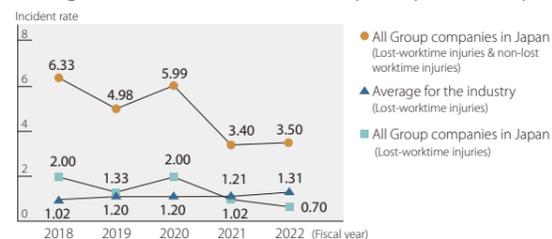
Progress in the Occupational Health and Safety Initiatives

Deliberation on the causes of occupational accidents and preventive measures against these accidents

The Group’s Central Health and Safety Subcommittee holds meetings twice a year, bringing together persons in charge of promoting occupational health and safety at Group companies, to exchange views about prevention of occupational accidents and report on the activities of each company. At the meeting in March 2022, participants deliberated primarily about the causes of “unsafe behaviors” and measures to prevent them. In fiscal 2022, the rate of lost-worktime injuries was 0.70, showing an improvement from the previous fiscal year.

In December 2020, an occupational fatal accident occurred at the Shiga Factory of Suminoe Techno Co. Taking the accident seriously, we are making Group-wide efforts to promote occupational health and safety activities.

Change in the incident rate* of Group companies in Japan



Source: 2021 Workplace Accident Trend Survey, Ministry of Health, Labour and Welfare

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

Activities of Suminoe Techno Co., Ltd.

Maintaining and Continuing the Health and Safety Promotion System

Continuing activities to prevent occupational accidents

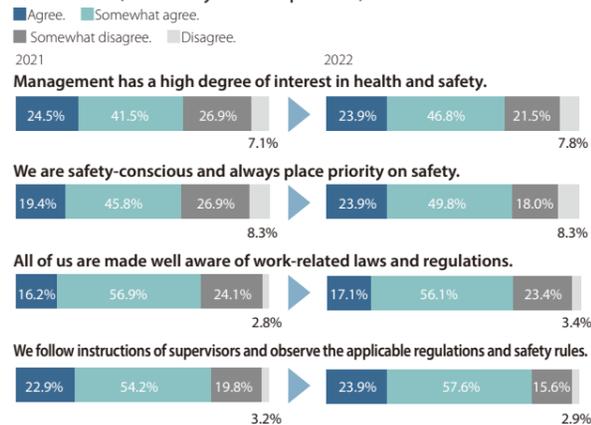
It has been one year since Suminoe Techno started to review and reinforce its health and safety promotion system comprising the Health and Safety Committee, Workplace Executive Committee and subcommittee. The company continuously works to ensure that these activities will take root in daily operations through mutual surveillance between these three committees.

Conducting the Questionnaire Survey on Safety Awareness of Employees

Continuing to promote health and safety activities incorporating opinions of employees in this fiscal year

To educate employees about occupational health safety, the company conducted a comprehension test and the Questionnaire Survey on Safety Awareness of Employees, as in last year. By comparing this year’s results with those in the previous year, management can grasp the changes in employees’ safety awareness at the entire operation site and in each workplace. In doing so, the company will promote health and safety activities in a more effective manner.

Results of the Questionnaire Survey on Workplace Safety Awareness (Year-on-year comparison)



Promotion of Health and Safety Education Activities

Safety awareness-raising through enhanced safety education

In fiscal 2022, Suminoe Techno enhanced safety education by reviewing and updating its health and safety education materials as a whole. The company also created educational materials tailored to each workplace and provided education using these materials. Additionally, Suminoe Techno held seminars to educate safety managers and foremen and conducted hands-on training for general employees to nurture their sensitivity to danger. By enhancing safety education, the company aims to raise the “safety” awareness of employees.

Omnidirectional Communication

Dissemination of the Corporate Philosophy and the Management Policy, and Sharing the Progress

Making the SGW known to all employees

To achieve the Medium- to Long-term Management Targets “SUMINOE GROUP WAY 2022-2024-2027” (SGW), we need to ensure that the SGW is communicated to and observed by all Group employees. This fiscal year we published the SGW in the in-house newsletter and the CSR Report, which were distributed to all employees of Group companies in Japan and employees stationed overseas.

Group-wide sharing of IR information

Investor relations information announced outside the Company is communicated to the Group companies. This fiscal year, Suminoe Textile Co., Ltd. participated in a seminar for private investors, organized by Radio Nikkei, “Radio Nikkei Japan Tour IR & Stock Investment Seminar by Hideaki Sakurai,” where the President of the Company presented an overview of the Group and initiatives that we would focus on in the future. The recorded radio program was posted on the in-house intranet.

Communication between Departments

Exchanging opinions transcending the boundaries of departments

Since before, a lack in communication between departments has been pointed out as an issue that we should address.

To deal with this issue, from July to September 2021, we held online meetings to facilitate exchange, mainly among administrative and sales staff of Group companies, on such themes as striking a balance between work and childcare and the Group’s initiatives for women’s empowerment. After participating in the meetings, many employees commented that “I had a valuable opportunity to talk with people with whom I usually have little contact.” In September, the Development Department hosted a meeting for young employees to deepen their understanding of what kind of work was conducted in the Department. At the meeting, participants presented the contents of their department’s jobs and their own jobs and exchanged views with others. The objective of this meeting was to promote personal growth of young employees by offering opportunities to consider how to cooperate with other departments and how to resolve issues through such cooperation. This year’s meeting was focused on “insufficient sharing of information on the technologies and knowledge possessed by employees working in the Development Department.” To resolve this issue, data on jobs that each employee had performed were compiled into a database, which was shared with other departments.

Aiming to create a greater synergy by enhancing the sense of oneness among Group companies, we will continue to enlarge opportunities for opinion exchange transcending the departmental boundaries.

Social Contribution Activities

Community-based Social Contribution

Activities of each factory/office

Both in Japan and abroad, the Group has carried out a wide range of social contribution activities, such as donations, cleaning and education support, in keeping with its Code of Conduct, which states that “We make proactive contributions to the community, as expected of a good corporate citizen.”

Topics

Support and Donation for Poverty and Starvation

Making donations to a home for the elderly and a homeless assistance organization

Suminoe Textile de Mexico, S.A. de C.V. (STM) participated in a social contribution project organized by a supplier. From its employees, STM raised donations of food and everyday items, sorted them out, and delivered these donations to a home for the elderly. Suminoe Textile of America Corporation (STA) made donations to a homeless support organization.

In fiscal 2022, STA gifted food to the organization on Christmas and Thanksgiving Day and then received a letter of gratitude.



Souvenir photograph taken at the home for the elderly

Contribution in Cases of Disasters

Cooperating with a local fire department

TANGO TEXTILE Co., Ltd. has provided cooperation for activities of the Kyotango City Fire Department, in support of its philosophy “As a leader of firefighting and disaster preparedness in the region, we conduct community-based activities to protect citizens’ safety and peace of mind, both in emergency and ordinary situations.” Currently, two employees of the company are involved in local disaster prevention activities, including firefighting and raising people’s awareness of crime prevention.



Firefighting training



Enhancing Governance

Basic Approach

The Suminoe Textile Group believes that the objective of corporate governance is to secure the soundness and efficiency of management. In doing so, the Group strives to enhance its corporate value to continuously return profits to stakeholders.

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 terms of risk management, we have formulated the Group Code of Conduct and the Group Standards of Conduct. By appropriately operating these codes, we aim to be a company trusted in society.

Governance System

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

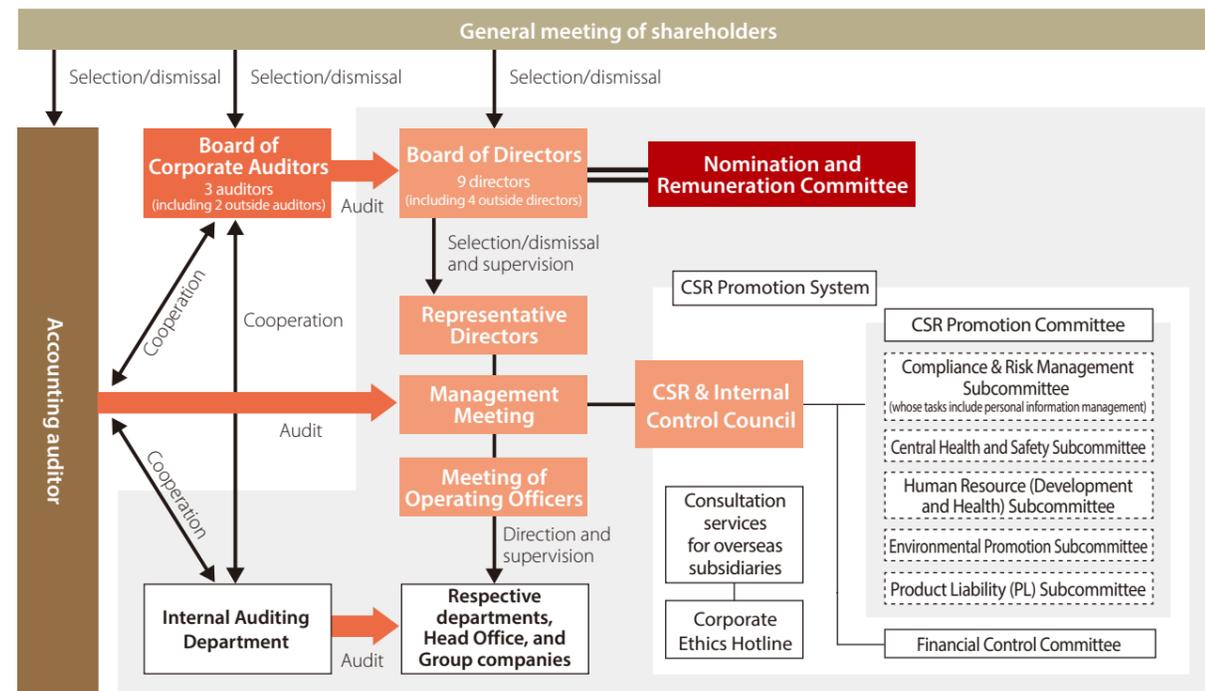
The Nomination and Remuneration Committee is set up as an advisory body to the Board of Directors. The Committee aims to strengthen its oversight function by improving transparency and objectivity in the evaluation and determination processes concerning the nomination and remuneration of the members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

Corporate Governance and CSR Promotion System



Board of Operating Officers

The Board of Operating Officers comprises the President and operating officers of Suminoe Textile Co., Ltd. and holds its meetings 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.

Policies and Procedures for Selecting Officers

The Group's Board of Director has not established specific procedures for selection of a CEO.

A CEO candidate is chosen from personnel who are able to control overall management and business operation based on the corporate philosophy and who have abundant experience and achievements required for contributing to the Group's sustainable growth and to improvement in its corporate value. Such personnel also must have a high level of ability, broad insights and a superior personality. The successful candidate will be selected by

resolution after due deliberation at a meeting of the Board of Directors, with attendance of independent outside directors.

In July 2019, we set up the Nomination and Remuneration Committee, which has been functioning as an advisory body to the Board of Directors.

The Company's Board of Directors consists of inside Directors who are well versed in respective business and corporate activities and have a wide variety of knowledge and experiences and Outside Directors who are expected to provide advice and monitoring from a broad perspective. As for the selection of Directors, from among candidates, the Company selects personnel who meet the same requirements as above, while taking into account the appropriate balance of the board as a whole, in accordance with the revised Corporate Governance Code. In August 2021, a female certified public accountant was appointed as an Outside Director. This has enabled the Company to secure diversity and accounting literacy. We believe that the Company's Board of Directors achieves appropriate diversity and a proper balance of knowledge, experience and skills, making effective use of expertise possessed by respective board members.

Skill Matrix

Position	Name	Age	Sex	Term of office	Specialization and experience							
					General management	Overseas business	Sales and marketing	Sustainability	Production technology	Finance and accounting	Legal Risk management	IT Digital
President	Teppei Nagata	65	Male	5 years	●	●	●	●				
Managing Director	Hiroaki Usugi	58	Male	2 years	●					●	●	●
Director	Toshiro Maruyama	64	Male	1 year	●	●	●		●			
Director	Eiichiro Kimura	63	Male	1 year	●			●	●			●
Director	Norihisa Murase	61	Male	—	●		●	●			●	
Outside Director	Haruo Shimizu	75	Male	6 years	●	●	●					
Outside Director	Kohei Nomura	74	Male	4 years				●			●	
Outside Director	Koichi Makino	59	Male	1 year	●		●	●				
Outside Director	Yumiko Oida	55	Female	1 year						●	●	
Corporate Auditor	Kiyokazu Ichikawa	63	Male	2 years		●			●	●	●	
Outside Corporate Auditor	Atsuhiro Sonoda	57	Male	3 years						●	●	
Outside Corporate Auditor	Takafumi Katayama	60	Male	2 years	●	●	●					

* The above is not intended as a complete list of knowledge and experience held by members of the Board of Directors and the Board of Corporate Auditors.
 * As of the conclusion of the general meeting of shareholders held in 2022.



Training for Officers

Providing Opportunities to Acquire and Update Knowledge

Various training opportunities are offered for directors and corporate auditors to encourage their self-improvement and help them acquire and update knowledge necessary for their respective duties and operations. And directors and corporate auditors have been actively participating in such training programs.

For outside officers, to help them deepen their understanding of the management strategies and business nature/conditions of the Group, explanations are provided upon their appointment, and also opportunities to visit factories/offices and explanations by directors in charge are provided subsequently as necessary.

Remuneration for Officers

Matters Regarding the Policy for Determining Details of Remuneration, etc. of Each Director

The Suminoe Textile Group consults the Nomination and Remuneration Committee and, based on the response from the Committee, resolves the policy to determine details of remuneration, etc. for each director as follows:

(1) Policy for determining the amount of the base salary, as well as the details and the amount or quantity of non-monetary remuneration, for each individual

Remuneration, etc. for directors shall be in the amount appropriate in light of their respective duties and the general standard and consist of base salary and stock-based remuneration.

Base salary is paid as monthly fixed remuneration in the amount appropriate for each position within the range of remuneration determined at a general meeting of shareholders.

The purpose of stock-based remuneration is to provide an incentive for directors to work toward sustainable improvement of the Suminoe Textile Group's corporate value and also to promote their sharing of value with shareholders. In view of this purpose, the amount deemed appropriate within the range of remuneration determined at the general meeting of shareholders is paid for directors, excluding outside directors, at a fixed time each year as remuneration for provision of restricted stock, of which disposal is not allowed until the directors resign or retire from the position of director, etc. of the Group.

(2) Matters Regarding Determining Details of Remuneration, etc. of Each Director

Based on the above policy, allocation of remuneration for each individual and other matters are discussed at the

Nomination and Remuneration Committee, which is an advisory organ of the Board of Directors established as necessary for the purpose of enhancing objectivity and transparency in the procedures related to the appointment of directors and the determination of their remunerations and consists mainly of independent outside directors. Based on the report from the Committee, these matters are discussed and resolved at a meeting of the Board of Directors in which outside directors and outside corporate auditors are present.

Matters Regarding the Policy for Determining the Amounts and the Calculation Method of Remuneration, etc. of Corporate Auditors

Remuneration of corporate auditors is determined through consultation of the corporate auditors within the range of remuneration determined at a general meeting of shareholders.

Evaluation of the Effectiveness of the Board of Directors

Results of Self-Evaluation Analysis and Matters Requiring Improvement

The Board of Directors of the Suminoe Textile Group conducted a questionnaire survey on all of the Board of Directors' members (directors and corporate auditors) as self-evaluation for the purpose of analyzing and evaluating the effectiveness of the Board of Directors while obtaining knowledge of a third-party organ.

Based on the analysis results of the survey and the relevant discussions at the Board of Directors' meetings, it has been determined that the Group's Board of Directors properly plays its role and satisfies expectations placed on it and that the effectiveness of the Board of Directors is adequately ensured as demonstrated in the points below:

1. The size and structure of the Board of Directors (5 internal directors and 4 outside directors) are appropriate.
2. The Board of Directors' meetings are operated in an open manner and have created an atmosphere that encourages active discussions.
3. The expected roles of outside directors are clear, and their opinions based on their respective experience and knowledge contribute to governance.

Meanwhile, the matters that need to be improved were pointed out as follows:

1. Formulation of a plan for the development of successors
2. Provision of training opportunities for directors and corporate auditors
3. Provision of opportunities for outside directors to exercise their supervisory function outside the Board of Directors' meetings

These results of analysis and evaluation will be addressed as the

issues for the operation of the Board of Directors' meetings in the next fiscal year, and they will also be discussed continuously at the Board of Directors' meetings as medium- to long-term issues.

The Suminoe Textile Group's Board of Directors will continue to conduct self-evaluation with the aim of further improving its functions.

Cross-shareholding

Reasonable and Appropriate Holding

The Suminoe Textile Group implements cross-holding of shares for strategic purposes, such as to maintain smooth transaction relationships and strengthen stable and ongoing ties with financial institutions, when it is deemed to contribute to improving the Group's corporate value.

Cross-shareholding cases are reported to the Board of Directors every six months, where the purpose of cross-holding is verified by examining such matters as whether the yielded benefits meet the investment made, whether there are any risks, and whether the shareholding is economically reasonable and appropriate, based on the status of relationship with the Group and the governance condition of each partner. The cross-held shares are sold whenever their purpose of holding disappears.

Regarding the exercise of voting rights, although no uniform standard has been established, we believe that proper exercise of voting rights will lead to the improved corporate value and sustainable growth of the relevant companies in the medium to long run. Based on this belief, in principle, we exercise our voting rights with regard to all the cross-holding shares by determining approval or disapproval of proposals in view of the situation and business relationships of the relevant companies.

Incidentally, when a company holding shares of the Suminoe Textile Group shows its intention to sell the shares, we basically agree to it.

Restructuring of the Core Systems

Restructuring of Systems for Management of Receivables/Payables and Accounting

The Suminoe Textile Group has been working on the restructuring of its core systems throughout the Group, which has been promoted in a top-down manner since November 2018. To improve efficiency of operations while preventing misconduct, we have been advancing restructuring of various systems so that our businesses can be visualized.

Restructuring of the receivables/payables management system and the accounting system was included in this initiative. The purpose is to promote paperless through the elimination of forms and to integrate data on balance and particulars of receivables and payables so that they can be easily grasped. To start with, the new system was put into operation

for Suminoe Textile Co., Ltd. and Suminoe Teijin Techno Co., Ltd. in October 2022.

We will work to expand the application of the system throughout the Group and enhance functions to be prepared for e-invoicing, among others.

Interactive Communication through "Management by Walking Around"

Interactive Communication between Employees and Top Management to Discuss Worksite Problems

The Suminoe Textile Group has been promoting "management by walking around" since the fiscal year ended May 2018, with the aim of enabling information-sharing and interactive communication between top management and employees.

In the "management by walking around" approach, officers (directors and operating officers) visit Suminoe Textile's offices and Group companies and exchange opinions with local employees. In June 2022, President Nagata and Maruyama, Director and General Manager, Automotive Textiles Business Headquarters, visited two sites of our U.S. subsidiary. For Nagata, it was the first time since he became president in August 2021 to look around an important subsidiary in the automotive interior business as the president.



Suminoe Textile of America Corporation production line



Suminoe Textile of America Corporation external view



Ensuring Compliance

Basic Policy

Corporate Activities in Compliance with Laws and Corporate Ethics

The Suminoe Textile Group has formulated its Code of Conduct and its Standards of Conduct, both of which lay out the basic policy for implementing compliance management.

In keeping with the basic policy, officers and employees of the 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 Group carries out various measures to develop compliance awareness among employees.

For example, in April 2017 we issued the Compliance Guidance (in Japanese, English and Chinese), which was then revised in April 2022. The Guidance is used for compliance related lectures, which are continuously delivered to employees when they enter the company and receive level-based training.

Also, at each company of the Suminoe Textile Group, an employee reads the Code of Conduct aloud at the morning assembly.

Compliance Training

Continuous Implementation of Compliance Training for Officers

We implemented compliance training for officers, with external specialists invited as the lecturers. For example, at training held on the theme of the "Amended Whistleblower Protection Act," officers learned about the purpose and outline of the amendment. They were also lectured on themes related to labor laws, such as "Harassment," "Overtime Work" and "Equal Pay for Equal Work." We are planning to hold compliance training for officers twice a year in the future.

Continuous Implementation of Training for Executive Employees

Training sessions were held for a total of 34 executive employees, including newly appointed operating officers of the Company and newly appointed directors of the Group companies both in Japan and overseas. For these training sessions, external specialists were invited as the instructors, who lectured about the duties and responsibilities of officers. Specific themes included "What Is a Director of a Company?" "The Duties of Directors," "Corporate Scandals and the Responsibility of Directors," and "Types of Corporate Scandals." We are planning to implement training for executive employees three times a year in the future.

In-house Awareness-Raising regarding Insider Trading

We revised the regulations for preventing insider trading, which is prohibited by the Financial Instruments and Exchange Act, in order to reinforce their contents.

The details of the revision were shared with employees through the intranet and in-house explanatory meetings. We also provided employees with information on a video that explains insider trading prevention to raise their awareness. For executives who have many opportunities to access insider information, on-line sessions were held to urge them to take precautions.

Continuously Implementing In-house Study Meetings

The Group has continuously been holding study meetings on work-related laws, mainly the Subcontract Act. This fiscal year, a total of 372 employees took part in these study meetings.

Whistleblowing System

Establishing Whistleblowing Contact Points

The Group has established the Corporate Ethics Hotline as a contact point through which officers and employees can submit a report, should they find incidences of violation of laws and regulations or corporate ethics within their companies.

This fiscal year, we improved the Corporate Ethics Hotline system and revised the regulations on the system operation, in response to the enforcement of the Amended Whistleblower Protection Act. The revised regulations include new provisions regarding "appointing the officer in charge of compliance," "securing independence of departments that deal with whistleblowing reports," "clarifying the responsibility of those who handle these reports," "addition of whistleblowers to be protected" and "prohibiting disadvantageous treatment of whistleblowers."

In addition to holding meetings to explain about the details of the revision, we communicated the contents of the revised regulations to employees on occasions of in-house training and compliance workshops so that all Group employees are notified of and encouraged to use these contact points.

Consultation Services Used (number of consultations received)

Contact point for consultation	2021	2022
Corporate Ethics Hotline (in-house contact point)	1	1
Corporate Ethics Hotline (external contact point)	0	0
Health counseling services (including harassment consultations)	2	1
Harassment consultation contact point	0	3
Total	3	5

Risk Management

Risk Management System

Reporting to the Management Meeting after Deliberation by the Committees Concerned

The Group has established the following risk management system. The CSR Promotion Committee, which comprises representatives from respective business headquarters and departments, deliberates on matters regarding overall risk management activities, such as proactive prevention and emergency response measures against risks. The Committee then reports the deliberation results to the CSR & Internal Control Council (Management Meeting) to obtain approval.

In implementing internal control, 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 in Japan and overseas. The Financial Control Committee examines the risk assessment results, which are reported to the CSR & Internal Control Council (Management Meeting). Under this system, we have reduced risks to a certain level. We will henceforth promote the introduction of information technology (IT) to improve the system to mitigate each risk even further.



Risk Management in Japan

Application of the Production Management System to Various Departments

We are working to gradually introduce a production management system that is specifically tailored to the textile industry to various departments in Japan. The system has now been in full-scale operation at the Traffic Facilities Business Headquarters and the procurement department of Suminoe Teijin Techno Co., Ltd. The Group believes that this system will be instrumental in establishing a structure that integrates production and sales functions by visualizing three statuses: the order status from sales to procurement; production status from procurement to sales; and the inventory status. Going forward, we plan to apply this production management system across the Group.

Overseas Risk Management

Introduction of the Production Management System

We have promoted the introduction of a production management system to which the above-stated system is applied, into SPM Automotive Textile Co., Ltd. in China and PT. Suminoe Surya Techno in Indonesia.

After the system is brought into full operation, its data will be linked with those of the already introduced financial accounting system, thereby improving inventory management accuracy and strengthening internal control.

Implementation Status 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, the 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.

Suminoe Textile Co., Ltd. and SUMINOE Co., Ltd. have held an annual BCP-based emergency drill at their head office buildings. In the drill, the personal safety of employees is confirmed in accordance with the in-house emergency contact rules. On September 2, 2022, these two companies carried out personal safety confirmation drills, and the emergency headquarters was 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.

Intellectual Property

Promoting Awareness of Intellectual Property Rights

Intellectual property rights include patents, utility model rights, design rights and trademarks, with each of them having different protection targets and periods. To ensure that employees obtain an accurate understanding of intellectual property rights, we require all employees to receive education about these rights at the time of joining the company. In addition, at regular technical meetings held between employees working at the Nara Factory of Suminoe Techno Co., Ltd. and at the Head Office of Suminoe Textile Co., Ltd., information on the patents of other companies is shared among participants.

We will continuously conduct intellectual property education in the future in order to protect the intellectual property rights owned by the Group.



Haruo Shimizu
Outside Director

Importance of Using the Lessons Learned from Globalization for Future Growth

I am Haruo Shimizu, and I have been an Outside Director of the Company since August 2016.

Throughout the last six years, I have realized anew that Suminoe Textile is a “100-year-old company” that has an outstanding brand and high-quality customers. Meanwhile, in this rapidly changing age of global competition, companies capable of proactively anticipating future market needs will be able to survive.

Fortunately, the Group has established operation sites on a global basis, and its global business growth will be the main driver of the Group’s medium- to long-term expansion. I believe that what is important is how to utilize local business practices and know-how that the Group has learned from globalization in formulating the next strategies. I would recommend that these strategies should not be based on the idea that the headquarters in Japan will provide instruction to overseas subsidiaries. Rather, the Japanese headquarters should sincerely adopt the speediness, youthfulness, IT capabilities and other advantages possessed by emerging countries where the Group is already in operation. I feel that taking such an approach will allow the Group to develop the ability to anticipate future market needs to satisfy them ahead of competitors.

I look forward to further growth of the SUMINOE brand.



Kohei Nomura
Outside Director

Challenges of SUMINOE and “Responsible Production and Consumption”

The immediate task is for the Suminoe Textile Group to meet the continued listing criteria for the Prime Market. The Group is also faced with a medium- to long-term challenge, that is, achieving the “SUMINOE GROUP WAY 2022-2024-2027” management targets.

In 2011, the Group launched the development of high-quality carpet tiles using recycled waste carpet tiles as raw materials. After having undergone many hardships, the Group succeeded in commercialization of the ECOS® series, eco-friendly carpet tiles under the horizontal recycling system. Featuring an extremely high recycled material ratio (up to 78%), ECOS® has now become the Suminoe Textile Group’s flagship product that is friendly to the environment. To resolve the two challenges mentioned at the beginning, it is necessary to strongly promote ECOS® and other eco-friendly products in the B2B (business-to-business) market. To this end, the Group should facilitate the sale of these products through the effective use of human resources by proactively appointing young and highly motivated employees to important positions or business projects, regardless of gender.

The Suminoe Textile Group is an advanced enterprise that has aggressively addressed urgent global themes, such as the SDGs. Since an early stage, the Group has implemented initiatives to fulfill “Responsible Production and Consumption” in support of Goal 12 of the SDGs. I believe that what is required now for the Group is to conduct business intended to passionately demonstrate its own strengths to many customer companies and households.



Koichi Makino
Outside Director

Leveraging Work Experience in a B2C Company to Enhance the “Suminoe Textile Brand” Value

As described in the invitation to this year’s ordinary general meeting of shareholders, what is expected of me is to contribute to further enhancing the Company’s corporate governance, leveraging my experience and knowledge accumulated by working for Takashimaya Co., Ltd. I am aware that the Company entrusted this role to me largely because of my expertise in managing a Takashimaya group company and working in the sales and marketing area. However, initially, I asked myself repeatedly how I could utilize my experience in a B2C (business to consumer) company mainly engaged in the department store business for the Suminoe Textile Group, which is a manufacturer. Honestly, I don’t know a lot about technology, but now I think I can play a different role from other directors by expressing my opinions from the viewpoint that I have developed in the retailing industry, because the Company runs the Interior Fittings, Automotive Textiles and Traffic Facilities, and Functional Materials businesses, all of which handle products that are directly related to end-consumers.

For example, in the Interior Fittings business, which holds a nearly 40% market share, the Group offers various products ranging from carpet tiles made of recycled materials and geared for hotels and commercial facilities to home-use rugs. Nevertheless, I feel that the Company and its brand name are still not much known to general consumers. I would therefore like to strive to enhance the Suminoe Textile brand value by increasing the name recognition of the Group’s household products in the Interior Fittings and Functional Materials businesses.



Yumiko Oida
Outside Director

Contributing to Governance Improvement Based on External, Objective Perspectives and Specialist Skills

My roles to play as an Outside Director

I understand that I have three roles I am required to play. The first is to act as a “specialist” in financial & accounting, legal and auditing fields. The second is to secure “diversity.” As the only female Director for now, I’m willing to raise questions and offer advice based on my values and perspectives, which differ from those of other Directors. The third is to provide an external perspective. In the midst of growing public expectations for companies, particularly those listed on the Prime Market, it is extremely important for the Company to promote initiatives for ESG investment and the SDGs, both of which constitute global themes. Drawing on my experience in serving as outside officers at other companies, I will actively collect information to help improve governance of the Company as one of its Outside Directors.

Ideal state of the Company’s Board of Directors

Of the nine Directors of the Company, four are Outsider Directors (including one female) who are specialized in different areas. As for the Company’s Nomination and Remuneration Committee, a majority of its membership comprises independent outside directors. While the Board of Directors is highly regarded for its effectiveness, it is desirable that the Company further promote “diversity of Directors.”

What I expect of the Group in the future

The Company has a long history and a corporate culture that is very positive toward resolving social issues. The Company’s uniqueness is also reflected in its philosophy for product development, etc. I hope that the Group will continue to place particular focus on improving the quality of products and services it offers while anticipating social needs in the future.

Directors

As of August 30, 2022



Teppei Nagata
President

April 1980
Joined the Company.
August 2012
Operating Officer
General Manager, Functional Materials
Business Headquarters
November 2016
General Manager, Corporate Planning
Department
General Manager, CSR Promotion Department
August 2017
Director
Senior Operating Officer
August 2019
General Manager, Interior Fittings Business
Headquarters
President and Representative Director,
SUMINOE Co., Ltd.
August 2021
President and Representative Director
(present)
Chairman and Representative Director,
SUMINOE Co., Ltd.



Eiichiro Kimura
Director

April 1982
Joined the Company.
August 2013
Operating Officer
August 2018
Representative Director, Suminoe Techno Co.,
Ltd. (present)
General Manager, Development Department
(present)
August 2019
Senior Operating Officer (present)
August 2021
Director (present)



Kohei Nomura
Outside Director
Independent Director

April 1977
Opened Nishikawa & Nomura Law Office (now
Nomura & Partners). (present)
June 2015
Outside Director, MKSystem Corporation
(present)
September 2015
Outside Auditor, JTEC Corporation (present)
June 2016
Outside Director, Audit and Supervisory
Committee Member, ALINCO INCORPORATED
(present)
August 2018
Outside Director of the Company (present)

Auditors

As of August 30, 2022



Kiyokazu Ichikawa
Corporate Auditor

April 1982
Joined the Company.
February 2004
General Manager in charge of Production in
Nara
September 2013
Director, T.C.H. Suminoe Co., Ltd.
August 2018
Operating Officer
EVP, Suminoe Textile of America Corporation
January 2020
General manager, Quality Assurance
Department
Manager, Technical Center
August 2020
Corporate Auditor (present)



Hiroaki Usugi
Managing Director
Representative Director

April 1986
Joined the Company.
August 2010
General Manager, Accounting Division
August 2017
General Manager, Purchasing Department
(present)
Operating Officer
August 2019
Senior Operating Officer (present)
Deputy General Manager, Administration
Headquarters
January 2020
General Manager, Corporate Planning
Department (present)
August 2020
Director
August 2021
Managing Director and Representative
Director (present)
General Manager, Administration
Headquarters (present)



Norihisa Murase
Director

April 1983
Joined the Company.
June 2007
Manager, Sales Department, Kinki Block,
SUMINOE Co., Ltd.
July 2007
General Manager, Kinki Block, SUMINOE Co.,
Ltd.
August 2020
Operating Officer
August 2021
Senior Operating Officer (present)
Deputy General Manager, Interior Fittings
Business Headquarters
President and Representative Director,
SUMINOE Co., Ltd. (present)
Department Manager, Sales Department,
SUMINOE Co., Ltd. (present)
August 2022
General Manager, Interior Fittings Business
Headquarters (present)



Koichi Makino
Outside Director

April 1985
Joined Takashimaya Co., Ltd.
February 2013
Kashiwa Store Manager, Takashimaya Co., Ltd.
March 2019
Operating Officer and Shinjuku Store Manager,
Takashimaya Co., Ltd.
March 2021
Senior Operating Officer and Deputy General
Manager, Merchandising Headquarters,
Takashimaya Co., Ltd. (present)
August 2021
Outside Director of the Company (present)



Atsuhiko Sonoda
Outside Corporate
Auditor

April 1988
Joined Takashimaya Co., Ltd.
March 2009
Transferred to Takashimaya Space Create Co., Ltd.
March 2011
Deputy Department Manager, General Affairs
Department, Takashimaya Space Create Co., Ltd.
March 2016
Manager of Accounting, Accounting
Department, Takashimaya Space Create Co., Ltd.
September 2016
Assistant Manager of Finance, Financial
Department, Planning Division, Takashimaya Co.,
Ltd.
October 2018
Manager of Finance, Financial Department,
Planning Division, Takashimaya Co., Ltd.
March 2019
Deputy Manager, Financial Department, Planning
Division, Takashimaya Co., Ltd. (present)
August 2019
Outside Corporate Auditor of the Company
(present)



Toshiro Maruyama
Director

April 1981
Joined the Company.
August 2013
Operating Officer
February 2017
Department Manager, Automotive Textile
Business Headquarters
August 2017
Senior Operating Officer (present)
August 2021
Director (present)
General Manager, Automotive Textiles Business
Headquarters (present)
President and Representative Director,
Suminoe Teijin Techno Co., Ltd. (present)
CEO, Suminoe Textile of America Corporation
(present)
Chairman, SPM Automotive Textile Co., Ltd.
(present)
CEO, T.C.H. Suminoe Co., Ltd. (present)



Haruo Shimizu
Outside Director
Independent Director

February 1970
Joined Daikin Mfg. Co., Ltd. (current Exedy
Corporation)
June 1994
Director, Daikin Mfg. Co., Ltd.
June 2006
President and Chief Executive Officer, Exedy
Corporation
April 2015
Chairman, Exedy Corporation
June 2016
Corporate Advisor, Exedy Corporation
Outside Director (in charge of Audit
Committee), Bando Chemical Industries, Ltd.
(present)
August 2016
Outside Director, Suminoe Textile Co., Ltd.
(present)
June 2019
Outside Director, Ashimori Industry Co., Ltd.
(present)



Yumiko Oida
Outside Director
Independent Director

October 1994
Joined Asahi & Co. (now KPMG AZSA LLC).
April 1998
Registered as a certified public accountant.
August 2008
Director, BRAIN Co., Ltd. (present)
November 2008
Registered as a licensed tax accountant.
June 2019
Outside Director, Audit and Supervisory
Committee Member, SHOEI CORPORATION
(present)
June 2020
Outside Director, COTA CO., LTD.
August 2021
Outside Director of the Company (present)



Takafumi Katayama
Outside Corporate
Auditor

May 1991
Joined Marubeni Corporation.
April 2013
Deputy General Manager, Fashion Apparel
Department No.2, Marubeni Corporation
April 2014
General Manager, Functional Materials
Department, Marubeni Corporation
April 2017
General Manager, Functional Textile
Department, Marubeni Corporation
June 2020
President and Representative Director,
Marubeni Intex Co., Ltd. (present)
August 2020
Outside Corporate Auditor of the Company
(present)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating results											
Net sales (Million yen)	75,318	81,873	88,219	91,182	97,529	96,038	97,872	98,617	91,512	79,702	81,713
Operating income (Million yen)	899	1,921	2,809	3,101	2,553	1,297	2,247	3,118	1,557	1,049	110
Operating margin (%)	1.2	2.3	3.2	3.4	2.6	1.4	2.3	3.2	1.7	1.3	0.1
Ordinary income (Million yen)	1,133	2,291	3,401	3,729	2,883	1,364	2,358	2,956	1,323	1,211	950
Profit attributable to owners of parent (Million yen)	223	1,045	1,968	1,815	245	26	1,083	467	142	409	281
EBITDA (Million yen)	2,146	3,224	4,449	4,964	4,447	2,917	3,973	4,888	3,588	3,028	2,026
Cash flows											
Cash flows from operating activities (Million yen)	670	3,837	4,479	3,701	1,453	983	3,519	4,760	5,901	4,167	375
Cash flows from investing activities (Million yen)	-1,889	-1,676	-1,221	-1,231	-3,211	-2,170	-244	-1,448	-1,536	-754	-1,191
Free cash flow (Million yen)	-1,218	2,160	3,257	2,470	-1,757	-1,186	3,274	3,311	4,365	3,413	-816
Cash flows from financing activities (Million yen)	310	-2,048	-895	-2,756	119	354	-843	-4,964	-1,702	-3,174	-2,074
Financial position											
Total assets (Million yen)	76,286	79,901	85,841	90,126	86,878	90,254	92,182	87,975	86,272	83,669	84,801
Interest-bearing debts (Million yen)	16,433	15,483	15,501	15,134	16,959	18,946	19,396	18,548	20,184	18,689	18,999
Shareholders' equity (Million yen)	18,619	19,597	21,552	22,860	22,614	22,111	22,664	20,560	18,641	18,878	19,711
Shareholders' equity ratio (%)	24.4	24.5	25.1	25.4	26.0	24.5	24.6	23.4	21.6	22.6	23.2
Per share data^{*1}											
Profit per share (EPS) (Yen)	2.95	13.85	26.09	24.07	3.25	3.50	143.66	65.36	21.88	64.84	44.44
Book value per share (Yen)	341.89	385.46	409.77	466.15	441.61	441.23	4,515.26	4,469.04	4,438.11	4,438.67	4,470.49
Annual dividend per share (Yen)	5	5	6	6	7	7	—	70	50	35	70
Payout ratio (%)	169.5	36.1	23.0	24.9	215.4	—	48.7	107.1	228.5	54.0	157.5
Other data											
Return on equity (ROE) (%)	0.9	3.8	6.6	5.5	0.7	0.1	3.2	1.4	0.5	1.5	1.0
Capital expenditure ^{*2} (Million yen)	2,043	1,571	1,502	1,422	820	2,722	1,171	1,617	3,516	2,677	4,636
Depreciation (Million yen)	1,246	1,302	1,640	1,862	1,893	1,620	1,725	1,769	2,030	1,979	1,915
R&D expenses (Million yen)	270	405	371	380	348	289	268	254	1,117	948	984
Number of employees	2,292	2,401	2,554	2,604	2,786	2,830	2,850	2,899	2,822	2,724	2,640

*1 The Company consolidated its common shares at a ratio of 10 shares to 1 share, effective December 1, 2017. Considering the impact of the share consolidation, the value of the annual dividend per share for the fiscal year ended in May 2018 is omitted.
*2 Capital expenditure for the fiscal year ended May 2020 and later includes not only property, plant and equipment, intangible assets, and investments but also an increase in leased assets owing to the application of IFRS 16 "Leases."

Operation Sites of the Suminoe Textile Group

Overseas Group companies

China

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

India

- 5 Suminoe Teijin Techno Krishna India Pvt. Ltd.

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

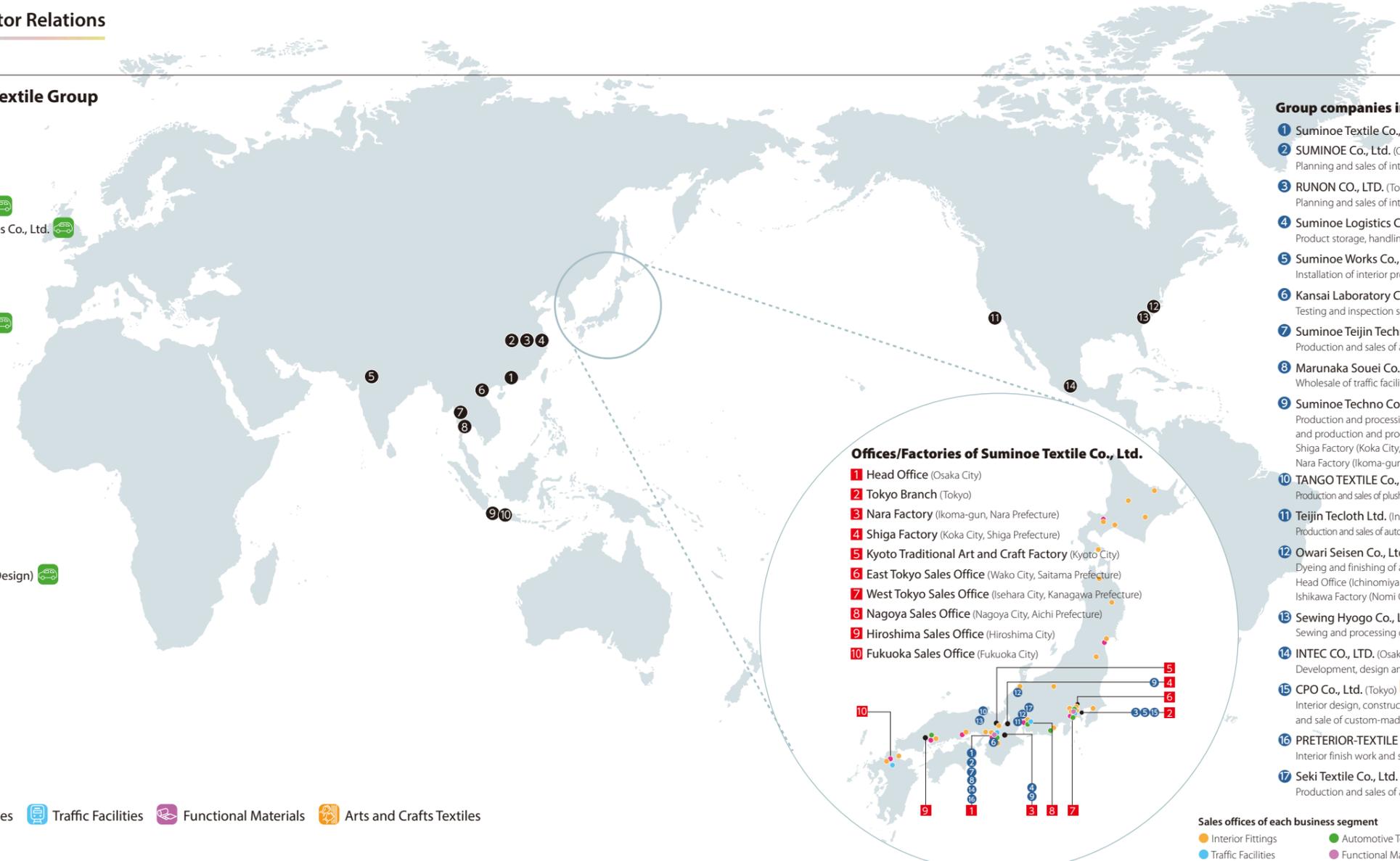
United States

- 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.

- Interior Fittings
- Automotive Textiles
- Traffic Facilities
- Functional Materials
- Arts and Crafts Textiles



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 East Tokyo Sales Office (Wako City, Saitama Prefecture)
- 7 West Tokyo Sales Office (Isehara City, Kanagawa Prefecture)
- 8 Nagoya Sales Office (Nagoya City, Aichi Prefecture)
- 9 Hiroshima Sales Office (Hiroshima City)
- 10 Fukuoka Sales Office (Fukuoka City)

Group companies in Japan (head offices)

- 1 Suminoe Textile Co., Ltd. (Osaka City)
- 2 SUMINOE Co., Ltd. (Osaka City)
Planning and sales of interior products, mainly carpets and curtains
- 3 RUNON CO., LTD. (Tokyo)
Planning and sales of interior products, mainly wallpapers
- 4 Suminoe Logistics Co., Ltd. (Ikoma-gun, Nara Prefecture)
Product storage, handling, processing, and delivery
- 5 Suminoe Works Co., Ltd. (Tokyo)
Installation of interior products
- 6 Kansai Laboratory Co., Ltd. (Matsubara City, Osaka Prefecture)
Testing and inspection services
- 7 Suminoe Teijin Techno Co., Ltd. (Osaka City)
Production and sales of automotive textiles, mainly seat covering materials
- 8 Marunaka Souei Co., Ltd. (Osaka City)
Wholesale of traffic facility textiles
- 9 Suminoe Techno Co., Ltd.
Production and processing of carpets, continuous fiber spinning (including recycling), and production and processing of needle punch carpets
Shiga Factory (Koka City, Shiga Prefecture)
Nara Factory (Ikoma-gun, Nara Prefecture)
- 10 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
- 11 Teijin Tecloth Ltd. (Inazawa City, Aichi Prefecture)
Production and sales of automotive seat covering materials, chair upholstery fabrics, and clothing textiles
- 12 Owari Seisen Co., Ltd.
Dyeing and finishing of automotive seat covering materials and interior fabrics
Head Office (Ichinomiya City, Aichi Prefecture)
Ishikawa Factory (Nomi City, Ishikawa Prefecture)
- 13 Sewing Hyogo Co., Ltd. (Tamba City, Hyogo Prefecture)
Sewing and processing of fabric products
- 14 INTEC CO., LTD. (Osaka City)
Development, design and sales of test equipment and measuring instruments
- 15 CPO Co., Ltd. (Tokyo)
Interior design, construction and supervision, manufacture and sale of custom-made furniture
- 16 PRETERIOR-TEXTILE Inc. (Osaka City)
Interior finish work and sales of interior options
- 17 Seki Textile Co., Ltd. (Seki City, Gifu Prefecture)
Production and sales of automotive textiles and traffic facilities textiles

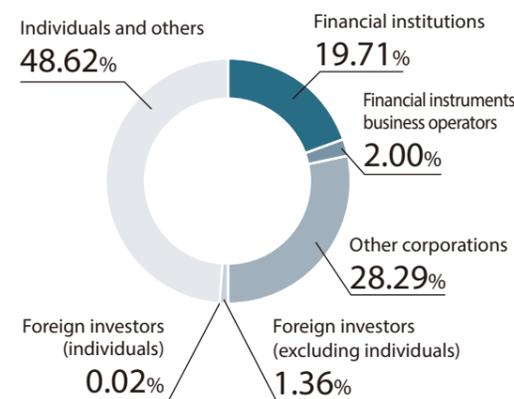
Sales offices of each business segment

- Interior Fittings
- Automotive Textiles
- Traffic Facilities
- Functional Materials
- Suminoe Interior Plaza (showroom)

Corporate Summary (As of May 31, 2022)

Company Name	Suminoe Textile Co., Ltd.	Fiscal year end	May 31 each year
Head Office	11-20, Minami-Semba 3-Chome, Chuo-ku, Osaka 542-8504, Japan	Annual General Meeting of Shareholders	Late August each year
Founded	1883	Share unit number	100 shares
Incorporated	December 25, 1913	Stock listings	Tokyo Stock Exchange, Prime Market
	Suminoe Textile Joint-Stock Company	Securities code	3501
Organizational change	December 26, 1930 Suminoe Textile Co., Ltd.	Shareholder registry administrator	Mizuho Trust & Banking Co., Ltd.
Capital	¥9,554,000,000	Accounting auditor	KPMG AZSA LLC
Number of employees	256 (Consolidated group companies: 2,640)		
URL	https://suminoe.co.jp/en/		
Number of consolidated subsidiaries	29		
Number of equity-method affiliates	2		

Shareholder Distribution



Major Shareholders

Name	Number of shares (Thousands)	Percentage of total shares outstanding (%)
Takashimaya Company, Limited	924	14.61
Nippon Life Insurance Company	476	7.53
Marubeni Corporation	366	5.79
The Master Trust Bank of Japan, Ltd. (Trust account)	323	5.10
Hayashi Telempu Holdings Corporation	233	3.68
The Master Trust Bank of Japan, Ltd. (as trustee for Retirement Benefit Trust of UNITIKA LTD.)	178	2.82
Suminoe Textile Kyoekai	155	2.46
Suminoe Textile Employee's Association	150	2.37
Toray Industries, Inc.	129	2.05
Meiji Yasuda Life Insurance Company	115	1.82

Stock Information

Authorized shares	30,000,000
Issued shares	7,682,162
Number of shareholders	7,566

*1 Fractions of less than 1,000 were disregarded in the numbers of shares held.
*2 Suminoe Textile Co., Ltd. has treasury stock (1,350,807 shares) but is not included in the above list of major shareholders.
Treasury stock is excluded from the calculation of the percentages of share ownership.