

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

Basic Policy on Sustainability		
Sustainability-related Policies		
E	Suminoe Textile Group's Second SUMINOE Environmental Declaration	
S	Human Rights Policy*	Health Management Declaration
	Health and Safety Policy	Basic Policy on Work-Life Balance
S	Basic Policy on Human Resource Development	CSR Procurement Policy*
	Basic Policy on Diversity and Inclusion	Basic Policy on Product Safety and Quality*

\* To be established in 2023 and onward

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 <sub>2</sub> emissions.	Reduce CO <sub>2</sub> emissions in the business activities. Increase volume of contribution to the reduction of CO <sub>2</sub> 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
		Acquire “Certified Health & Productivity Management Outstanding Organizations.”	By FY2025	—	—
	Diversity and inclusion	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
		Employ foreign workers.	—	Each fiscal year	P39
		Participation of senior employees	—	Each fiscal year	P39
	Participation and cultivation of human resources	Education for human resources (IT literacy, education for corresponding stages, etc.)	—	Each fiscal year	P41
		Career self-declaration system	—	FY2023 and onward	P42
		Job rotation	—	FY2024 and onward	—
	Omnidirectional communication	Review of human resources management and evaluation systems	—	FY2024 and onward	—
		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 —
	Social contribution activities	Communication between departments	—	Each fiscal year	P44
		Contribution in cases of disasters	—	Each fiscal year	P44
G	Enhance governance.	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.



E Environment

Kenko  
(Health)

Kankyo  
(Environment)

Recycling

Amenity

KKR+A

We, the Suminoe Textile Group, are continuing to work on environmental conservation activities, such as interior environment improvement and utilization of recycled materials as well as decreasing our impact on the environment, with our fundamental philosophy of "K - Kenko (Health)," "K- Kankyo (Environment)," "R - Recycling," and "A - Amenity: Comfort."

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

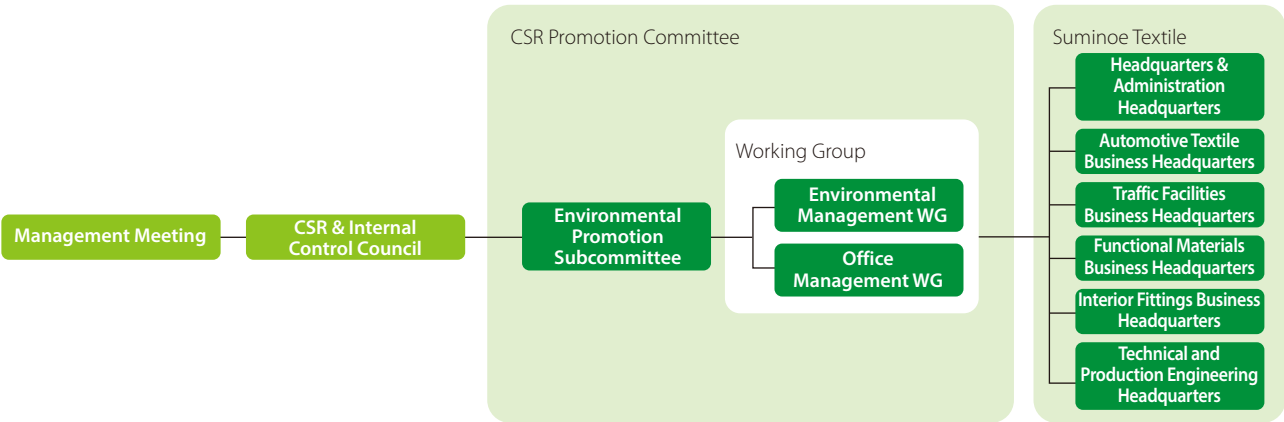
② Development of recycling technology and recycling system

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 Tecloth 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)

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 <sub>2</sub> 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 <sub>2</sub> 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 CO<sub>2</sub> and N<sub>2</sub>O 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.

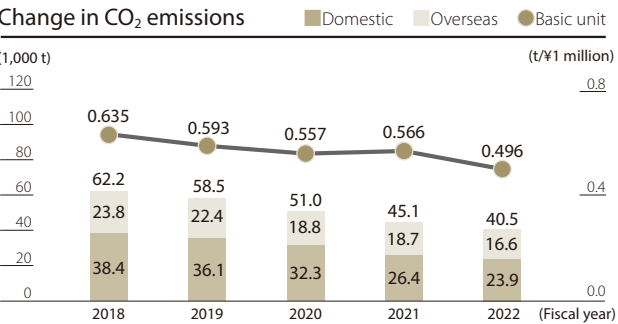
\* Major factories in Japan: Shiga Factory and Nara Factory Suminoe Techno Co., Ltd., Teijin Tecloth Ltd., and Head Office Factory and Ishikawa Factory Owari Seisen Co., Ltd.

○: Attained △: Not attained at some factories ×: Not attained

Results for Fiscal 2022

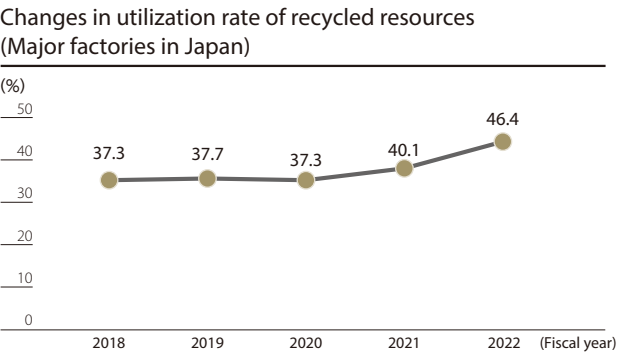
① Prevention of Global Warming

We assess the impact of our corporate activities on global warming based on CO<sub>2</sub> emissions.



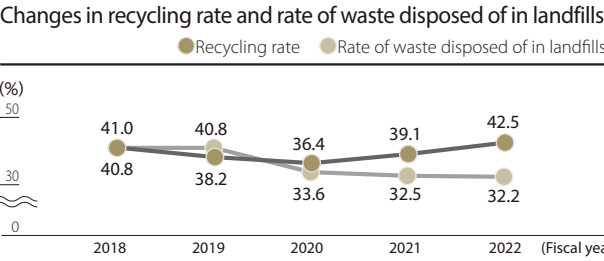
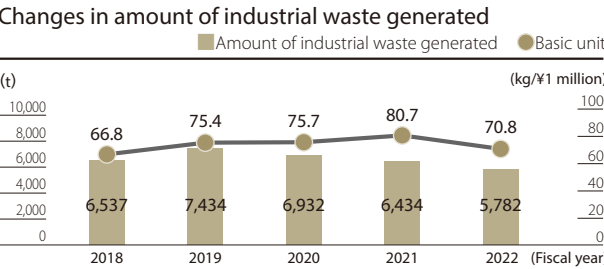
② Resources Conservation

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



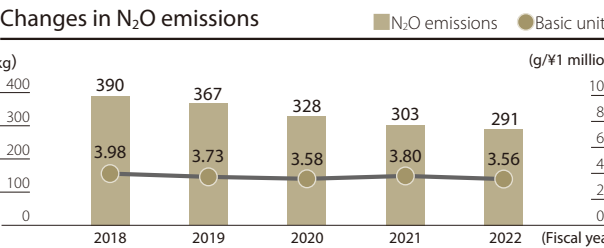
③ 3Rs regarding Waste Material

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.



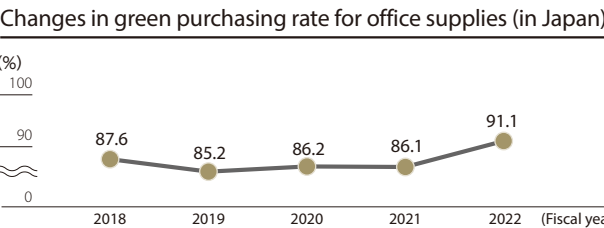
④ Prevention of Environmental Pollution

Among atmospheric contaminants, nitrous oxide (N<sub>2</sub>O) 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



E 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.

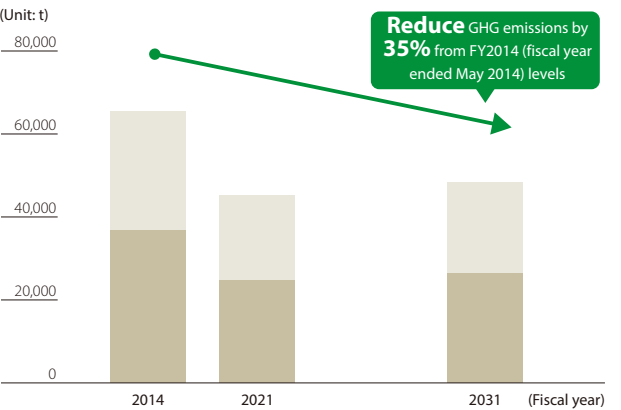
Target for Reducing Greenhouse Gas Emissions

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 (CO<sub>2</sub>) emissions in April 2022.

Specifically, by FY2031 (fiscal year ending May 2031) all the Group companies will strive to reduce CO<sub>2</sub> emissions in business activities by 35% from the levels of FY2014 (fiscal year ended May 2014).

To promote the reduction of CO<sub>2</sub> 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 (CO<sub>2</sub>) emissions per unit of sales**  
■ Scope1: Direct greenhouse gas (GHG) emissions from the Group's business operations  
■ Scope2: Indirect GHG emissions from the use of electricity, heat, etc. supplied by others



\* 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 <sub>2</sub> 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
	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



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
Number of new graduates hired	Male	10	17
	Female	7	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	1
		Female	12	13
	Number of employees who returned to work after childcare leave	Male	3	1
		Female	11	9
Family care leave, etc.	Number of employees who reduced working hours	Male	0	0
		Female	17	18
	Number of employees who advanced/postponed work start/finish times	Male	0	0
		Female	5	4
Family care leave, etc.	Number of employees who took family care leave	Male	2	0
		Female	2	0
	Number of employees who reduced working hours	Male	0	0
		Female	0	0
Family care leave, etc.	Number of employees who advanced/postponed work start/finish times	Male	0	0
		Female	0	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 Tecloth Ltd. The training program was aimed at harassment prevention so as to facilitate the establishment of smooth relationships at workplaces.





Human Resource Development and Utilization

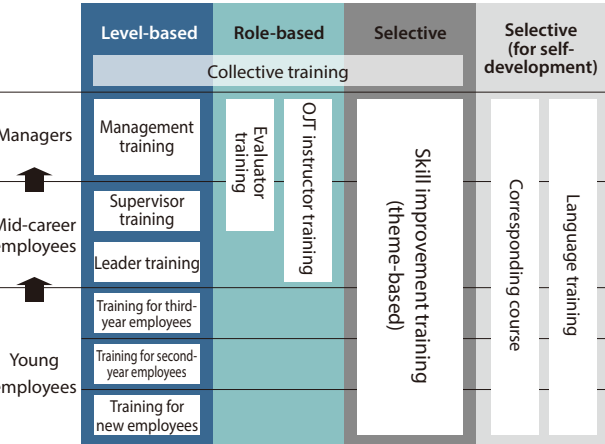
Basic Policy on Human Resource Development

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

- ① Personnel education is provided basically through OJT (on-the-job training).
- ② 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).
- ③ 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.
- ④ All employees are provided with opportunities for self-development (through corresponding courses, language training, skill improvement training, etc.).

Education system



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
	Evaluators, OJT instructors	22	16	6
Role-based	Skill improvement	315	171	144
	Self-development (corresponding course)	116	62	54
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)

- 1) "Career self-declaration system" for facilitating self-directed career development of employees
- 2) 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

- 1) Management system (organizational culture and organization management)
- 2) 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

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



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.

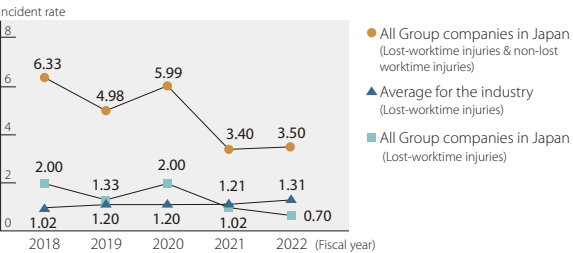
Progress in the Occupational Health and Safety Initiatives

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

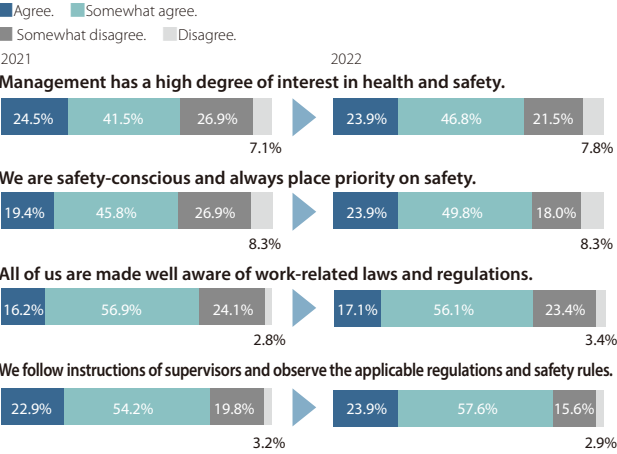
It has been one year since Suminoe Techno started to review and reinforce its health and safety promotion system comprising the Health and Safety Committee, Workplace Executive Committee and subcommittee. The company continuously works to ensure that these activities will take root in daily operations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

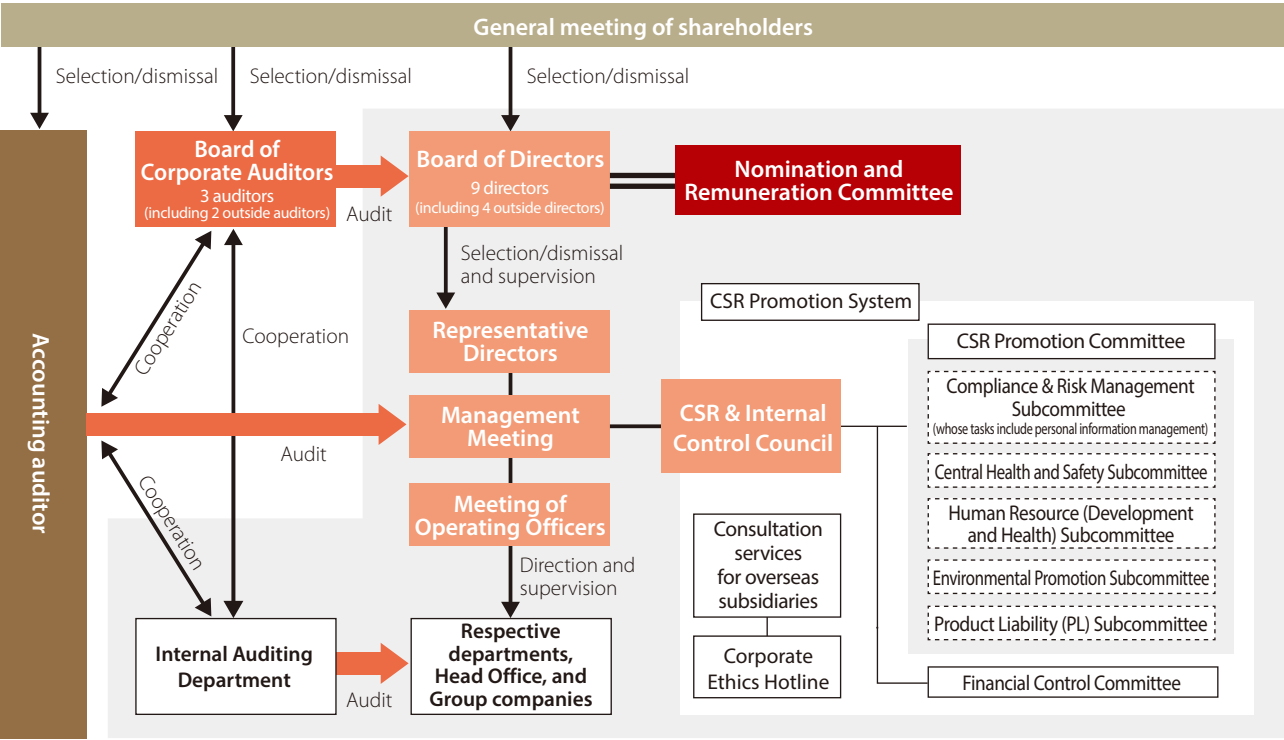
The Nomination and Remuneration Committee is set up as an advisory body to the Board of Directors. The Committee aims to strengthen its oversight function by improving transparency and objectivity in the evaluation and determination processes concerning the nomination and remuneration of the members 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
Directors	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	Norihsa 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	●		●	●			
Corporate Auditors	Outside Director	Yumiko Oida	55	Female	1 year					●	●	
	Corporate Auditor	Kiyokazu Ichikawa	63	Male	2 years		●		●	●	●	
	Outside Corporate Auditor	Atsuhiko 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.

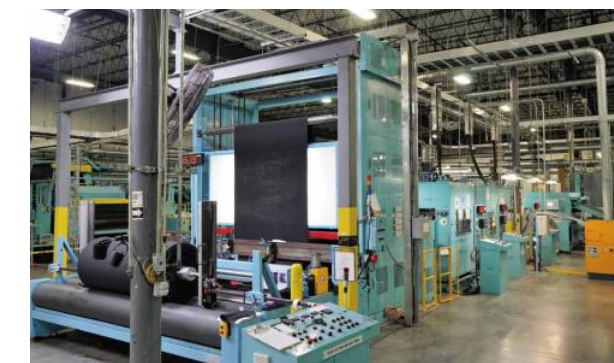
We will work to expand the application of the system throughout the Group and enhance functions to be prepared for e-invoicing, among others.

## 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.