



Sustainability Promotion System and Governance and Risk Management

The SUMINOE GROUP holds meetings of the CSR Promotion Committee three times a year, under the corporate governance and CSR promotion system (see p. 53). Chaired by the Managing Director and Representative Director (General Manager of Administration Headquarters), the Committee deliberates on the activity policies and important challenges in the CSR and sustainability fields, related risks to be addressed with priority, etc. The results of deliberations are reported to the CSR & Internal Control Council (Executive Committee) and then approved of at the meeting of the Board of Directors.

Basic Approach to the Basic Policy on Sustainability and Related Policies

In the course of promoting ESG management, the Group is working to achieve the Medium- to Long-term Management Targets "SUMINOE GROUP WAY 2022-2024-2027." Particularly in the fields of CSR and sustainability, we believe that it is important to identify key sustainability issues to focus on (see pp. 17-18) and address these issues through its business operations. With this recognition, we regard the Basic Policy on Sustainability and Related Policies as guidelines for resolving the key sustainability issues and achieving sustainable growth of the Group.

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 the Standards of Conduct, both of which are based on the Corporate Philosophy.

Framework of the Basic Policy on Sustainability and Related Policies

Basic Policy on Sustainability	
Sustainability-Related Policies	
E (Environment)	Second SUMINOE Environmental Declaration
S (Social)	Human Rights Policy*
	Health and Safety Policy
	Basic Policy on Human Resource Development
	Basic Policy on Diversity and Inclusion

*As for the policies marked with an asterisk, in FY2023 we made preparations for the formulation.

Since the fiscal year ended May 2022, the Group has worked to develop the Basic Policy on Sustainability and Related Policies as the guidelines for its sustainability initiatives.

In the G (governance) aspect, the SUMINOE GROUP has established its Code of Conduct and its Standards of Conduct, both of which lay out the basic policy for ensuring full compliance in business activities. The Group has also been endeavoring to strengthen governance by developing the Basic Policy on Sustainability and Related Policies, implementing initiatives in line with these policies, as well as checking and evaluating the progress.

Developing Sustainability-Related Policies

Status of Development in FY2023 and Future Plan

SUMINOE GROUP Human Rights Policy (formulated on June 1, 2023)

We at the SUMINOE GROUP believe that respect for human rights is an important element that forms the foundation for management in conducting global business operations.

The Company Motto of the SUMINOE GROUP upholds "cooperation," which represents the spirit of mutual improvement through the effective use of diverse personalities of employees. The Group's Code of Conduct stipulates due respect for employees' individual personalities and high importance of their health and safety. Under this motto and this code of conduct, we have strived to ensure a sound working environment where no employees are harassed or discriminated against because of their race, beliefs, religion, nationality, physical features, etc.

In addition, on June 1, 2023, we formulated the Group Philosophy, which lays out our mission: bring people- and society-friendly spaces to the world through technology and ideas that closely support people's lives. To fulfill this mission, we are aware that it is essential to pay respect not only to officers and employees of the SUMINOE GROUP but also to suppliers and other stakeholders and to build relationships of trust with them all.

We recognize that the Group may have negative impact on human rights directly or indirectly through its business activities. With this recognition, we established the SUMINOE GROUP Human Rights Policy as a basic policy that clearly displays the Group's attitude of respecting human rights of all people engaged in our business activities. In line with this Policy, we will continuously push forward with initiatives and fulfill our responsibilities with the aim of respecting human rights.

SUMINOE GROUP Human Rights Policy

1. Basic approach
2. Scope of application
3. Human rights due diligence
4. Redress and remedy
5. Governance system and in-house system
6. Education
7. Dialogue with stakeholders
8. Information disclosure



* Scan here for the full Japanese text. (English text will be published on our website in coming May.)

Basic Policy on Sustainable Procurement (preparations are under way for formulation in January 2024)

The SUMINOE GROUP considers that, in order to resolve environmental and social issues through business operations, it is indispensable that not only Group companies but also all members of the entire supply chain work in collaboration. Currently, preparations are under way to formulate the Basic Policy on Sustainable Procurement, which will guide such collaborative efforts.

Concurrently, we are making preparations to create the Guidelines for Sustainable Procurement as the common guidelines to be shared throughout the Group's supply chain.

Basic Policy on Product Safety and Quality (preparations are under way for formulation in January 2024)

The SUMINOE GROUP is making preparations for formulating the Basic Policy on Product Safety and Quality, which aims to establish quality management, ensure compliance with safety standards defined by law, and provide accurate information on products and services.

Taking advantage of the strengths of manufacturing that the Group has nurtured since its founding, we will implement measures toward realizing a sustainable society and quality improvement in pursuit of operations that enhance customer satisfaction.

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 2023, please visit a webpage by scanning the 2D barcode on the right.



SDGs on Which the SUMINOE 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.





Results for fiscal year ended May 2023

Category	Key sustainability issues selected from the SGW challenges	Measures	Results	Related page
E (Environment)	Reduction of CO ₂ emissions, and development and distribution of products for environmental measures	① Reduce CO ₂ emissions in the business activities.	● Reduced by 36.9% as compared with FY2021 levels (basic unit), Eco Challenge 2024 target: Reduce by 3% as compared with FY2021, by FY2024 (basic unit).	P43
		② Increase volume of contribution to the reduction of CO ₂ emissions through products.	● Shipments of ECOS® series, eco-friendly carpet tiles under the horizontal recycling system (recycled material ratio of 84%): 111.2% compared with previous FY	-
		③ Develop and sell environmentally friendly products.	● Number of developed products/technologies Interior Fittings: 2, Automotive Textiles:1, Traffic Facilities: 1, Total: 4	P45
S (Social)	Safe and secure work environment	④ Review, transmit, educate and disseminate our human rights policy.	● Formulated the SUMINOE GROUP Human Rights Policy (June 2023).	P38
		⑤ Conduct training for the prevention of harassment.	● Conducted training for the prevention of moral harassment (five Group companies in Japan).	P48
		⑥ Eliminate occupational accidents.	● Rate of lost-worktime injuries Result: 1.39 Target: 1.0	P52
		⑦ Acquire “Certified Health & Productivity Management Outstanding Organizations.”	● Promoted work-life balance, implemented measures against lifestyle-related diseases, etc., measures against mental health problems, and activities to raise health improvement awareness.	P51
	Participation and cultivation of diverse human resources	⑧ Teleworking and off-peak commuting system	● Introduced regulations on work from home and the staggered working hours system (three Group companies in Japan).	//
		⑨ Support for life-work balance (work, childrearing and nursing care)	● Rate of employees taking childcare leave Male: 16.7%, female: 100% (Suminoe Textile Co., Ltd., SUMINOE Co., Ltd.)	//
		⑩ Paid leave by the hour, flex-time system	● Discussed the introduction of an attendance management system.	-
		⑪ Promote women’s participation.	● Ratio of new female graduates hired: 48.7%, ratio of female managers: 5.1% (17 Group companies in Japan)	P51
		⑫ Employ people with disabilities.	● Employment rate of people with disabilities: 1.6% (17 Group companies in Japan)	-
		⑬ Employ foreign workers.	● Number of present foreign employees: 24 (including 10 newly hired employees) (17 Group companies in Japan)	-
		⑭ Participation of senior employees	● Re-employment rate: 89.4% (17 Group companies in Japan)	-
		⑮ Education for human resources (IT literacy, education for corresponding stages, etc.)	● Level-based, role-based, and skill improvement training: 312 participants, correspondence course and language training: 130 participants Total: 442 participants	P48
		⑯ Career self-declaration system	● Instituted the career self-declaration system at Suminoe Textile Co., Ltd. (June 2023).	//
		⑰ Job rotation	● Implemented personnel transfer within and beyond the department.	-
	Improvement of corporate brand value	⑱ Dissemination of corporate philosophy and management policy, and the progress will be shared.	● Launched the “Shin Mirai (lit. new future) Project” for promoting branding and formulated the SUMINOE GROUP Philosophy (June 2023).	P49
		⑲ Consider the timely disclosure of information and transmit it.	● Disclosed information via the web and through the in-house intranet, as required.	-
		⑳ Communication between departments	● Implemented the <i>Tsunagu</i> meeting and <i>Tsunagu-wa-cation</i> .	P50
		㉑ Contribution in cases of disasters	● Domestic sites: 0, overseas sites: 0	-
㉒ Support and donation for poverty and starvation		● Domestic sites: 0, overseas sites: 3	-	
㉓ Restructure the core systems.		● A production management system and a receivables/payables management system being introduced in sequence	P58, 60	
G (Governance)	Enhancement of governance	㉔ Promote interactive in-house communication through top management’s frequent visits to workplaces.	● Number of top management visits: eight domestic sites, one overseas site (between October 2022 and July 2023)	P58
		㉕ Continue to conduct compliance training.	● Conducted training for officers and executive employees. ● Conducted training for young employees and level-based training offered at every promotion, on such topics as compliance, work-related laws and regulations, and occupational health and safety.	P48, 61
		㉖ Further disseminate “Corporate ethics hotline.”	● Continuously announced the whistleblowing contact points for consultation.	-
		㉗ Strengthen global risk management.	● Started full-scale operation of the production management system. ● Revised a risk management manual, “Crisis Response Manual on Overseas Assignment.”	P60
		㉘ BCP action plan	● Established in-house emergency contact routes and implemented personal safety confirmation drills.	//

Regarding the key performance indicators (KPIs) for the key sustainability issues in the SGW challenges, we are planning to establish the KPIs in the course of identifying the Group’s materiality (key issues) in the future.

E Environment

Under the Slogan of KKR+A



As an industry pioneer, the SUMINOE GROUP has pushed forward with the development and application of advanced technologies that are friendly to human health and the environment. In 1998, the Group announced “KKR+A (Kenko [Health], Kankyo [Environment], Recycling and Amenity)” along with the Interior Environment Improvement Declaration. Since then, under its fundamental development philosophy “KKR+A,” the Group has been working on research and development of technologies and products that are friendly to people and the environment while promoting interior environment improvement and utilization of recycled materials. The Group also upholds the Fundamental Environmental Philosophy, to be followed in all aspects of our business operations. We have been positively tackling environmental preservation activities, including decreasing our impact on the environment, in accordance with the Activity Guidelines and activity goals. In April 2022, we announced the Second SUMINOE Environmental Declaration, which aims to ensure that our products will be used by many more people and to promote “KKR+A” around the world through implementation of global strategies. The entire SUMINOE GROUP will make concerted efforts to accomplish these objectives.

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

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, simplify packaging and reduce its weight. 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.

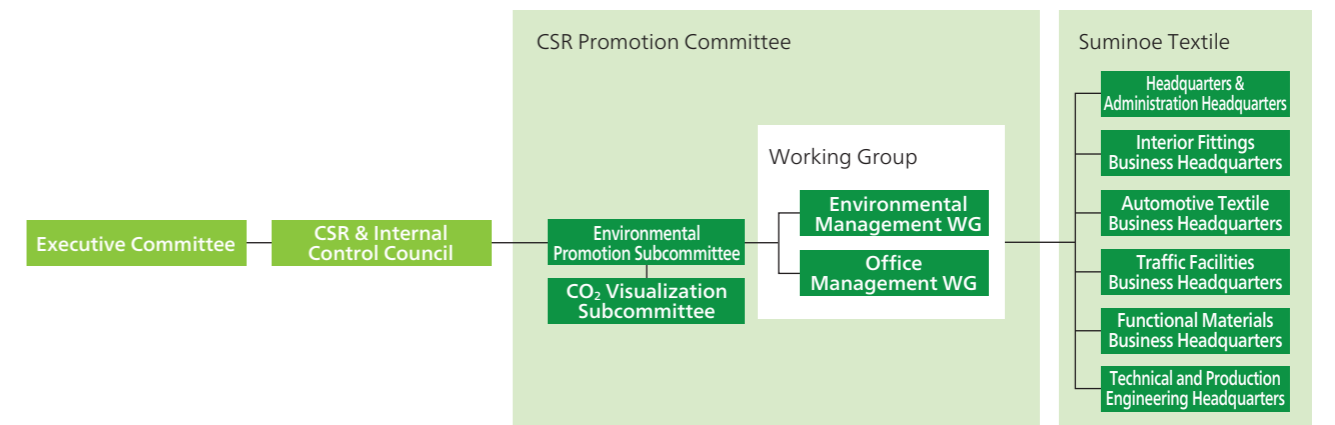
Activity Guidelines

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)	7th renewal completed (July 2023)	5th renewal completed (July 2023)

E Environment

Initiatives to Address Climate Change Issues

Target for reducing greenhouse gas emissions

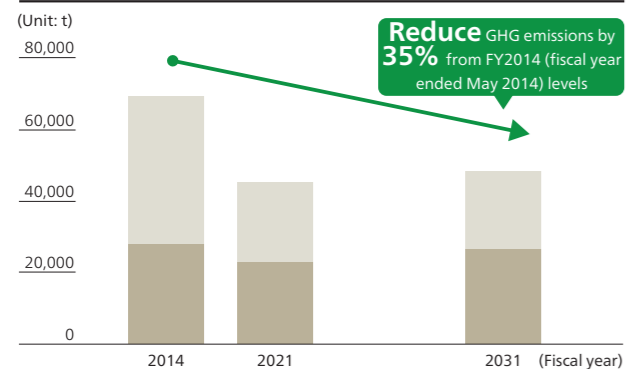
In accordance with the policy of the Medium- to Long-term Management Targets "SUMINOE GROUP WAY 2022-2024-2027," the Group established its long-term target for reducing greenhouse gas (CO₂) emissions in April 2022.

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*

■ Scope 1: Direct greenhouse gas (GHG) emissions from the Group's business operations
 ■ Scope 2: Indirect GHG emissions from the use of electricity, heat, etc. supplied by others



■ As for Scope 3 emissions (Indirect emissions that are generated by other companies related to the Group's business operations, excluding Scopes 1 and 2), the calculation is currently under way.
 * Per unit of sales

Information disclosure in alignment with the TCFD recommendations

In July 2022, the Group declared its support for the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). We will disclose the Group's information on climate change issues in alignment with the TCFD recommendations.

1. Governance

The Group has established the following governance system. The Environmental Promotion Subcommittee set up within the CSR Promotion Committee, which comprises members from respective business headquarters and departments, draws up a plan for measures to address environmental challenges as a whole, including climate change issues. The CSR Promotion Committee deliberates on and finalizes the plan, which is implemented in all

departments throughout the Group. The matters deliberated on and decided by the CSR Promotion Committee are reported to the CSR & Internal Control Council (Executive Committee) to obtain approval.

We have also formulated "Eco Challenge," as a set of goals on activities regarding environmental issues in general, established in line with the Medium- to Long-term Management Targets. The Group strives to achieve Eco Challenge goals to reduce environmental impact from its business operations. Each fiscal year, the activity results are evaluated and reported via this Report, etc.

In addition, in May 2021 we launched the CO₂ Visualization Subcommittee as an organ tasked with grasping and analyzing the Group's overall greenhouse gas emissions and designing strategies for reducing these emissions.

2. Strategy

To reduce environmental impact that may arise from our business operations, we have formulated "Eco Challenge," a set of goals on activities regarding environmental issues in general, in line with the Medium- to Long-term Management Targets. For three years from FY2022 to FY2024, we have worked on "Eco Challenge 2024," under the policy of the Medium- to Long-term Management Targets "SUMINOE GROUP WAY 2022-2024-2027."

In April 2022, we established the Suminoe Textile Group's Target for Reducing Greenhouse Gas Emissions to set up our long-term target for reducing greenhouse gas (CO₂) emissions. At the core of the Group's development philosophy is the development of environmentally friendly products. Efforts to develop and increase sales of these products will provide us with an opportunity associated with the transition to a decarbonized society. With this recognition, we will further intensify and focus on these efforts.

3. Risk management

With regard to climate change-related risks, the Environmental Promotion Subcommittee plays a central role in the formulation of relevant policies and strategies to minimize risks and seize opportunities, and in management of activity monitoring.

4. Metrics and targets

① Eco Challenge 2024

Eco Challenge 2024 covers the three years from FY2022 to 2024 and aims to reduce CO₂ emissions by 3% from the levels of FY2021 (per unit of sales).

② The Suminoe Textile Group's Target for Reducing Greenhouse Gas Emissions

By FY2031 (fiscal year ending May 2031), the Group aims to reduce CO₂ emissions (per unit of sales) resulting from business activities by 35% from the levels of FY2014.

In the Group's Target for Reducing Greenhouse Gas Emissions, Scopes 1 and 2 emissions are used as metrics.

As for Scope 3, we started calculation of emissions from the six major Group companies in Japan. As the first step toward reducing Scope 3 GHG emissions, we will figure out the actual situations of these six companies and discuss specific measures.

Analysis of impacts on the Group based on the TCFD final report

We have analyzed 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 ^{*1}			
Category of risks/opportunities	Major aspects/viewpoints		2°C or lower scenario ^{*2}	4°C scenario ^{*3}	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.)	

*1 The directions of respective arrows indicate that potential business and financial impacts will be ↑: Very significant ↗: Somewhat significant →: Insignificant
 *2 2°C or lower scenario: A scenario where strict measures, including implementation of bold policies and promotion of technological innovations, are taken to reduce CO₂ and other GHG emissions so that the increase in the global average temperature by 2100 is limited to less than 2°C above pre-industrial levels.
 *3 4°C scenario: A scenario where the current measures against climate change go unchanged globally so that the average temperature rises around 4°C above pre-industrial levels. Natural disasters continue to worsen, resulting in an increase in risks such as extreme weather events.

Initiatives to reduce greenhouse gas emissions

Reducing GHG emissions from business activities

In fiscal year ended May 2022, the Group completed energy conversion at overseas and domestic bases and reorganization of two factories of Suminoe Techno Co., Ltd., resulting in improved efficiency of production and logistics. In fiscal year ended May 2023, we introduced photovoltaic power generation systems into some overseas production sites to promote renewable energy use. In this manner, initiatives are under way to reduce greenhouse gas emissions from business activities.

Contribution by products

Chief among the Group's environmentally friendly products are the ECOS® series, eco-friendly carpet tiles under the horizontal recycling system, and ECONIX, a car seat covering material that utilizes スミトロン® (SUMITRON) yarn made from recycled chips. These eco-friendly products have steadily come into widespread use and continue to penetrate.

By expanding sales of these products and further improving the recycled material ratio, we will enhance the degree of contribution by our products in reducing greenhouse gas emissions.

E Environment

Eco Challenge 2024

Business activities undertaken by the SUMINOE 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 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 2023 Results

	Work areas	Index	Final numerical targets	Base FY	FY2023 numerical targets	FY2023 results	Evaluation
1	Prevention of global warming	Reduction of CO ₂ emissions (energy consumption)	Reduce by 3% (basic unit).	2021	Reduce by 2% (basic unit).	Reduced by 36.9% (basic unit).	○
2	Resources conservation	Increase in utilization rate of recycled resources (major factories in Japan ^{*1})	Increase 3%.	2021	Increase by 2%.	Increased by 24.5%.	○
3	3Rs regarding waste material	Reduction of industrial waste	Reduce by 3% (basic unit).	2021	Reduce by 2% (basic unit).	Reduced by 19.1%.	○
		Increase in recycling rate	65% or more	—	65% or more	39.4%	△
		Reduction in rate of waste disposed of in landfills	10% or less	—	10% or less	36.3%	△
4	Prevention of environmental pollution	Reduction of air pollution (reduction of N ₂ O emissions)	Reduce by 3% (basic unit).	2021	Reduce by 2% (basic unit).	Reduced by 23.3% (basic unit).	○
5	Promotion of green activities	Increase in green purchasing rate for office supplies (in Japan)	95% or more	—	95% or more	89.2%	△
6	Promotion of LCA assessment for products ^{*2}		Perform LCA for 18 items.	—	12 items	40 items	○
7	Promotion of development of environment-friendly technologies ^{*2}		3 cases	—	2 cases	1 case	△
	Promotion of development of environment-friendly products ^{*2}		9 cases	—	6 cases	7 cases	○
8	Promotion of biodiversity preservation in business activities		—	—	—	—	—

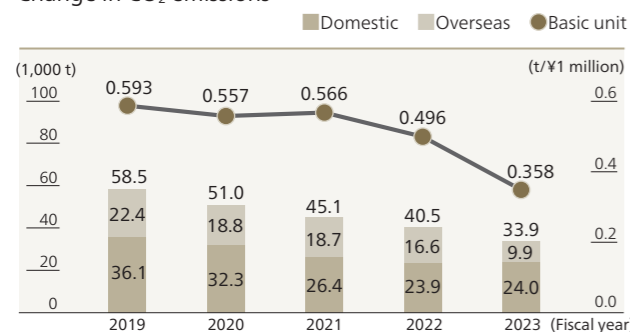
Basic unit: Consolidated sales used as a denominator for calculation
 Emission factor: For domestic factories, the amounts of CO₂ and N₂O emissions are calculated based on an emission factor set in accordance with the law to promote measures against global warming. For overseas factories, the calculation is based on an emission factor set for each country in the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
^{*1} Major factories in Japan: Shiga Factory and Nara Factory Suminoe Techno Co., Ltd., Teijin Teclath Ltd., and Head Office Factory and Ishikawa Factory Owari Seisen Co., Ltd.
^{*2} The figures for targets and results are cumulative totals from FY2022 to FY2023.

Results for fiscal 2023

① Prevention of Global Warming

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

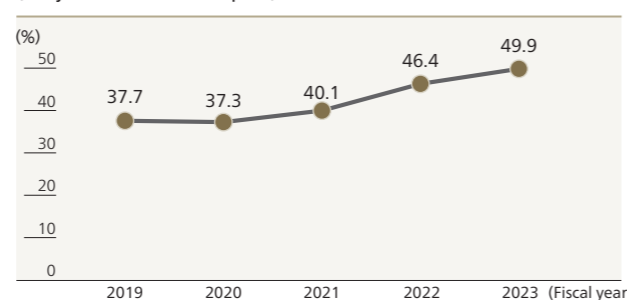
Change in CO₂ emissions



② Resources Conservation

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

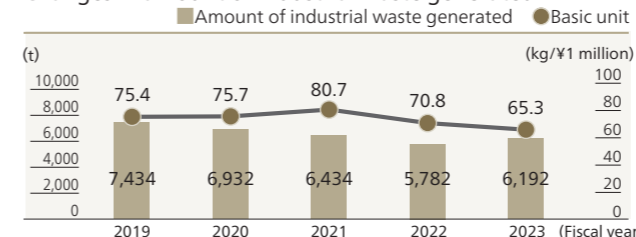
Changes in utilization rate of recycled resources (Major factories in Japan)



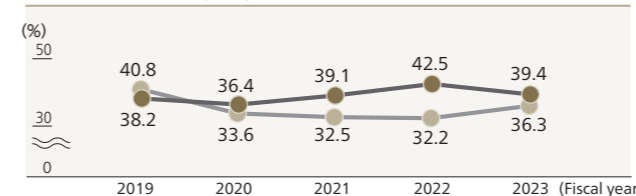
③ 3Rs regarding Waste Material

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.

Changes in amount of industrial waste generated



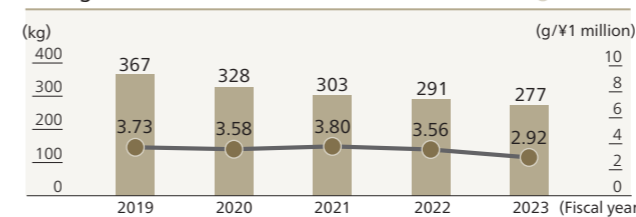
Changes in recycling rate and rate of waste disposed of in landfills



④ Prevention of Environmental Pollution

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

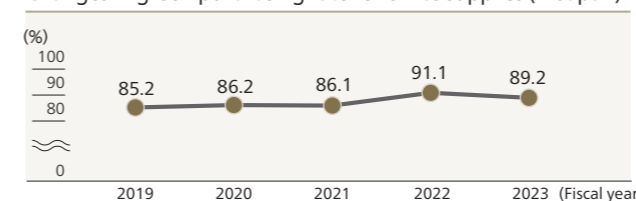
Changes in N₂O emissions



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.

Changes in green purchasing rate for office supplies (in Japan)



⑥ Promotion of LCA* Assessment for Products

We have conducted in-house LCA assessments for our products since fiscal 2016. Between fiscal 2022 and 2023, we carried out LCA assessments for 40 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
- 1) ECOS NEO™ series of carpet tiles, which achieves a recycled material ratio of 81% by using recycled materials on the pile surface and the backing
- 2) SORAIRO, a rug made of 50% recycled wool
- 3) ECONIX, a seat covering material that utilizes スミトロン® (SUMITRON), which is eco-friendly yarn made from recycled chips
- 4) ECOS-US3000 and ECOS-MD8500 series of carpet tiles for railroad vehicles, featuring a backing created by using ECOS® specifications

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

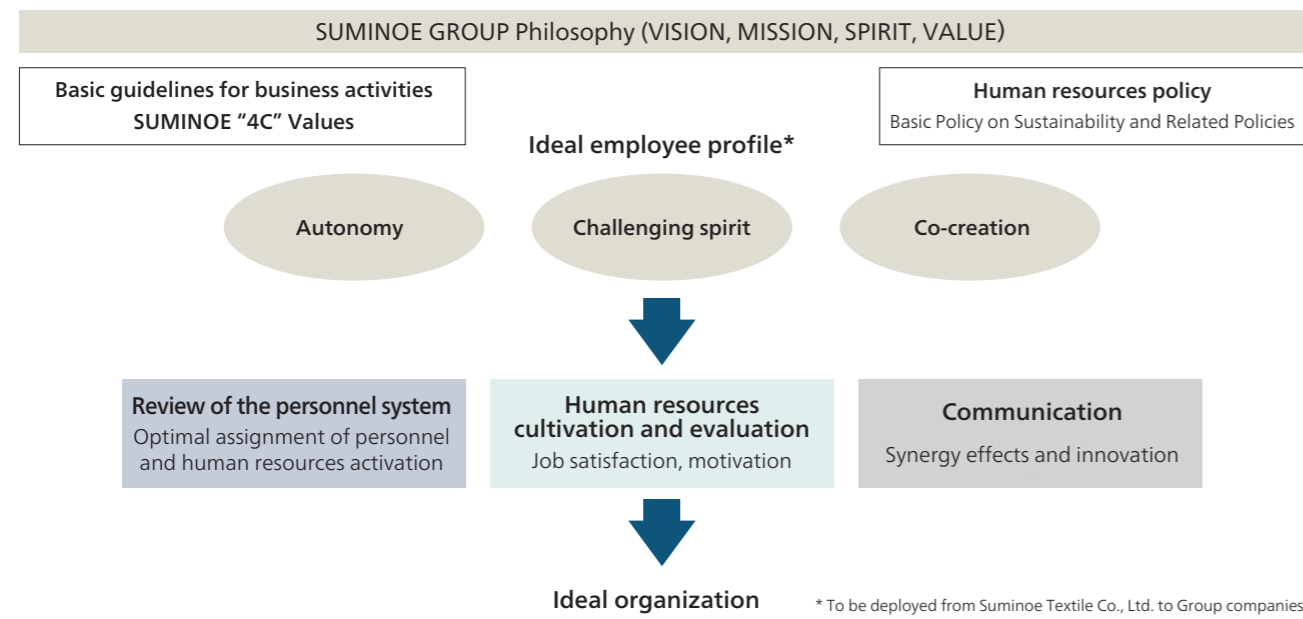
● Activity Results

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

Human Capital

Human resources strategies to create an ideal organization



Initiatives to realize an ideal organization

* ●...Implemented in FY2023, ○...To be implemented in FY2024 and onward

Category	Details	Theme	Initiatives*
Group Philosophy	<ul style="list-style-type: none"> Behavioral changes of officers and employees 	<ul style="list-style-type: none"> Understanding and penetration of the Group Philosophy 	<ul style="list-style-type: none"> ○ Implement training on Group Philosophy. ○ Incorporate the Philosophy into the MISSION of segments, departments, and individual employees.
Review of personnel system	<ul style="list-style-type: none"> Human resources visualization, optimal arrangement of personnel, and human resources activation Development of a challenging spirit Realization of diverse working styles 	<ul style="list-style-type: none"> Diversification of working styles 	<ul style="list-style-type: none"> ● Regulations on work from home and staggered work hours systems ○ Career self-declaration system (p. 48) ○ Limited area employee system
Cultivation and evaluation of human resources	<ul style="list-style-type: none"> Improvement of individual employees' skills Strengthening of leadership capabilities Cultivation of global human resources Creation of job satisfaction and motivation 	<ul style="list-style-type: none"> Development of human resources with professional and creative personalities Fair evaluation and treatment 	<ul style="list-style-type: none"> ● Skill Improvement Training (p. 48) ● Language training ○ Training for enhancing management capability ○ Review of the evaluation system
Communication	<ul style="list-style-type: none"> Sharing of information, know-how, and challenges Reinforcement of inter-departmental cooperation systems Maximization of synergy effects Preservation and succession of skills and development of successors 	<ul style="list-style-type: none"> Activation of "horizontal relationships" Information sharing between officers and employees 	<ul style="list-style-type: none"> ● <i>Tsunagu-wa-cation</i> (p. 50) ● <i>Tsunagu-meeting</i> (p. 50) ● Management by Walking Around (p. 58)
Diversity and inclusion	<ul style="list-style-type: none"> Acceptance of diversity of human resources Respect for individuals and their participation 	<ul style="list-style-type: none"> Women's career development Participation and cultivation of diverse human resources 	<ul style="list-style-type: none"> ● Promote women's participation (p. 51) ● Promote participation of senior employees
Health Management Work-life balance	<ul style="list-style-type: none"> Improvement of employees' well-being Improvement of labor productivity 	<ul style="list-style-type: none"> Mental and physical health of employees 	<ul style="list-style-type: none"> ● Measures against lifestyle-related diseases and mental health problems ● Establishment of contact points for health counseling services ○ Working Style Reform Action Plan 2023 (p. 52)

Review of the ideal employee profile

Reviewing the ideal employee profile

The SUMINOE GROUP considers human resources to be the source of sustainable corporate growth and the most important assets. In this age of uncertainties, it is difficult to predict what will happen in the future. In this context, Suminoe Textile Co., Ltd. strives to achieve sustainable growth of employees and the Company. As part of its efforts to activate and cultivate human resources, the Company reviewed the ideal employee profile for Suminoe Textile. From the fiscal year ended May 2022 to the fiscal year ended May 2023, we conducted interviews with the President and officers and questionnaire surveys of department managers. Based on the results of these interviews and surveys, the Company defined "autonomy," "challenging spirit" and "co-creation" as the elements of the profile.

Going forward, we will improve our education system and training programs with a central focus on "autonomy," "challenging spirit" and "co-creation" so as to enable individual employees to improve and exhibit their capabilities. In doing so, we will nurture human resources who can help us to achieve the Medium- to Long-term Management Targets and appropriately adapt to future times. We will also place emphasis on education of managers, who play vital roles in making maximum use of our "people" and "organization."

Ideal employee profile for Suminoe Textile Co., Ltd.

Autonomy	Persons who can think by themselves and act autonomously
Challenging spirit	Persons who can take on higher roles, without fear of changing, from diverse perspectives
Co-creation	Persons who can create new value in collaboration with others, through many dialogues

Initiatives for career development of employees

Establishing the career self-declaration system

Suminoe Textiles Co., Ltd. launched the career self-declaration system on June 1, 2023. Under this system, employees can declare to the Company what kind of career path they wish to pursue on a short- and long-term basis in the future (e.g., jobs they wish to experience or dare to perform). The system is intended to cultivate autonomous human resources by encouraging employees to think about their future career and to proactively engage in their jobs and to provide employees with opportunities to better display their abilities, thereby improving job satisfaction. Another purpose of the system is to help utilize human resources and revitalize the organization by putting the right person in the right job and by reducing voluntary turnover due to mismatched assignment. We will continue to carry out initiatives for human capital maximization.

Improving skills of employees

Implementing skill improvement training

To promote personal growth of all SUMINOE GROUP employees, we implement education and training programs throughout the Group. We provide not only level-based and role-based training but also skill improvement training on various themes for voluntary participants. The themes selected for this fiscal year were as follows: "Effective use of Excel and PowerPoint for work efficiency enhancement," which was designed to improve work efficiency in day-to-day tasks; "Nikkei information utilization course" to learn about an efficient information gathering method using the Nihon Keizai Shimbun newspaper; and "Leadership improvement to gain more influence" for middle-level employees. Going forward, we will offer various themes to improve the skills of employees.

Education system

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

Number of employees taking training FY2023

Training type	Total	Male	Female
Level-based, role-based, skill improvement collective training	312	213	99
Correspondence course, language training	130	84	46

Measures against harassment

Implementing harassment prevention training

The Group provides training aimed at creating a comfortable work environment and eliminating harassment. This fiscal year, moral harassment was selected as the training theme. Approximately 70% of 1,017 employees working for five Group companies took part in the training. What is most important for a company to prevent harassment is to create such a corporate culture. Based on this idea, the Group will continuously conduct anti-harassment training.



Omnidirectional Communication

The Group has set “omnidirectional communication” as one of its Medium- to Long-term Management Targets. To achieve this target, we plan to disseminate the Group Philosophy and management policy and implement activities to promote communication between departments.

“Shin Mirai Project” for promoting branding

In July 2022, we launched the *Shin Mirai* (lit. new future) Project, which aims to newly formulate the Group Philosophy (VISION, MISSION and VALUE) as the guidelines for all the SUMINOE GROUP members to follow in conducting business with a sense of unity and oneness, toward enhancing the Group’s medium- to long-term corporate value.



Project activities

Item implemented	Purpose
Questionnaire surveys of all Group employees	Identify the Group’s strengths, weaknesses and unique features
Interviews with the President and officers	History, strengths, current challenges, and future outlook
Workshop	Value creation and the concept of VISION

Through the project activities, we re-defined the SUMINOE GROUP’s strengths and the value offered by the Group as follows:

Strengths of the SUMINOE GROUP

- Technology and development capabilities to create new value with our foresight
- Trust established over 140 years of history and track record
- A sense of mission to create people- and earth-friendly lifestyles, starting from interior spaces around us

Value offered by the SUMINOE GROUP

- Produce a virtuous cycle of co-creation by co-creating “social value” with customers and consumers and continuing to meet social needs.
- Create new value through unconventional technologies and products by generating interdepartmental synergies, and support society by “functional and comfortable space itself.”
- Create new value in the field of space creation, taking advantage of the Group’s unique strengths— technologies, expertise, trust and relationships with customers—that it has cultivated, and consequently improve people’s quality of living.

Based on these strengths and value that the Group offers, we formulated the Group Philosophy as well as the unified Group logo and tagline, looking ahead to the future.

Through about one-year of branding activities, all Group officers and employees had opportunities to reconsider what kind of value the Group should provide to society.

By sharing the Group Philosophy with stakeholders and earning their empathy, we aim to enhance our brand value, which will lead to new growth of the Group. To this end, we will continue Group-wide efforts to penetrate the SUMINOE GROUP brand.

Topics

Unified Group logo



Meaning of the seahorse mark

The new logo was designed based on the previous logo of Suminoe Textile Co., Ltd. It symbolizes a seahorse proudly going forward into the future while cherishing tradition. The four diamonds represent a sparking ocean while indicating the Group’s “four businesses,” which create spaces as well as rays of light spreading into the four quarters of the globe.

Tagline

“Bring innovation to all kinds of spaces”

This tagline expresses our determination to advance forward to accomplish the Group’s mission of bringing people- and society-friendly spaces to the world through technology and ideas that closely support people’s lives.



Employees working on the project

Tsunagu-wa-cation

To maximize synergies of the SUMINOE GROUP

In order to develop our one-of-a-kind technologies and products and eventually create social and economic value, we believe that it is essential to maximize synergies of the entire SUMINOE GROUP by sharing and coordinating technologies and ideas between and among different business segments and Group companies. This requires us to change the organizational structure from a conventional “vertical” structure to a structure focusing on “horizontal relationships.” To this end, we are promoting initiatives to facilitate “communication between departments.”

In the fiscal year ended May 2023, we held “Tsunagu-wa-cation” events respectively for design staff and sales staff in order to promote exchange between Group companies. As for the “Tsunagu-wa-cation” events for design staff, around 40 designers participated from each business segment, with the objective of gaining inspiration for better designs and manufacturing practice. These participating designers exchanged information on their respective business environments and results. They also received input on the latest trends in overseas interiors through a special seminar, which inspired them to come up with new design ideas. For sales staff events, about 30 young employees in their 20s and 30s participated from the Kanto and Kansai districts. They exchanged information regarding products handled by each department, sales methods, customers and the industry. The event provided participants with an opportunity to deepen their understanding of the SUMINOE GROUP on the theme of “Sales” and consider sales activities, taking into account cooperation within their own departments as well as cooperation with other departments.

We are planning to hold “Tsunagu-wa-cation” events for other various departments and job categories, with the aim of maximizing the SUMINOE GROUP’s synergies.

* Definition of the Group’s “Wa-cation”: A means of creating new value by enhancing synergies through communication in an environment that is different from usual. The Group coined this word by combining the Japanese word “Wa (lit. a circle),” “work,” and “communication.”



Tsunagu-wa-cation (exchange event for design staff)

Tsunagu-meeting

Two-way communication between officers and employees

As part of its efforts to promote omnidirectional communication, Suminoe Textile Co., Ltd. held roundtable meetings at which the President and officers of the Administration Headquarters talked with employees grouped by age bracket. These meetings, called “Tsunagu-meetings,” are intended to connect (*Tsunagu* in Japanese) top management and employees through direct conversations to exchange thoughts and feelings to ensure that the SUMINOE GROUP will continue to develop into a better enterprise in the business environment that is changing rapidly and significantly.

At these meetings, each age group of employees actively exchanged opinions with top management. In many cases, they talked about human resources-related topics, such as domestic and overseas human resources development, management by managers, and an ideal personnel evaluation system that improves employee motivation. Other various opinions were also advanced, including the sharing of the Company’s vision, development of new products and technologies, planning of Group-wide strategies, and maximization of synergies through cross-departmental communication. About the advantages and drawbacks of the Group, top management and employees engaged in frank exchanges of views face-to-face, and the contents of conversations were disclosed to and shared with employees of other age brackets so that all employees were able to have common recognition.

Going forward, we will summarize the issues identified through these meetings and discuss measures to address these issues in order to help create workplaces for employee happiness and build a foundation for growth of the SUMINOE GROUP.

Impressions after participating in the Tsunagu-meetings

President and officers of the Administration Headquarters

It was significantly meaningful to be able to hear candid opinions and views from so many employees of each age bracket. We realized that young employees hoped to work for the betterment of the Company and for their personal growth. We also felt that employees in higher age groups were more knowledgeable about the Company’s advantages and drawbacks. By seriously considering the views and ways of thinking of employees in each age group, we will reflect the input from employees in discussing future measures to be taken.

Employees

Despite a few opportunities for communication, the *Tsunagu-meetings* allowed us to directly exchange opinions with officers and talk about what we had in mind. It was a precious moment for us. We were also able to fully understand top management’s way of thinking and the Company’s future direction. We hope that there will be many more opportunities for this kind of communication in the future.

Diversity and Inclusion

In keeping with the Basic Policy on Diversity and Inclusion formulated in June 2022, we carry out initiative to facilitate the acceptance of diversity of human resources and foster respect for individuals and their participation.

Promoting women's participation

SUMINOE GROUP's activities to promote women's participation

To promote women's participation, the Group takes a two-axis approach—encouraging female employees to develop their career (training and appointment) and supporting them in continuing to work (work-life balance). We strive to create a work environment where both male and female employees can play active roles.

Results of women's empowerment initiatives
(Group companies in Japan) As of the end of May each year

Item		2022	2023
Number of new graduates hired	Male	17	21
	Female	19	20
Ratio of female managers (%) ^{*1}		5.3	5.1
Male-female wage disparities (%) ^{*2}	All employees		73.0
	Regular employees		75.8
	Part-time employees		68.5

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

*2 Data for Suminoe Textile Co., Ltd. only

Suminoe Textile Co., Ltd. and five Group companies in Japan analyzed the issues of respective companies. Reflecting the analysis results, each company established its action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace. The activities and targets specified under these action plans are disclosed to the public.*

* Published in: Database on Promotion of Women's Participation and Advancement in the Workplace, run by the Ministry of Health, Labour and Welfare

Numerical targets set in action plans based on the Act on Promotion of Women's Participation and Advancement in the Workplace, and activity results FY2023 results

Company	Item	Targets	Results
Suminoe Textile Co., Ltd.	Ratio of new female graduates hired (%)	35 or higher	45
	Ratio of employees taking childcare leave by sex (%)	Male: 25 or higher Female: 100	16.7 100
SUMINOE Co., Ltd.	Ratio of new female graduates hired (%)	40 or higher	55.6
	Ratio of employees taking childcare leave by sex (%)	Male: 25 or higher Female: 100	16.7 100
RUNON CO., LTD.	Increase in No. of female managers	Increase one or more	0
	Monthly average overtime hours (h)	Within 40	8.9
Suminoe Techno Co., Ltd.	Gender difference in length of continuous service	Within 2 years	1 year and 1 month
Suminoe Logistics Co., Ltd.	Ratio of female managers (%)	30 or higher	30.8
Owari Seisen Co., Ltd.	Monthly average overtime hours (h)	Within 20	1.4

As part of our initiatives to promote women's participation, the Company annually dispatches two female managers and two female manager candidates to participate in women's empowerment support programs held by an external organization. We believe that the forum will provide these female employees with a great opportunity to acquire knowledge and skills required to work as managers and heighten their motivation for career development. It will also be a good occasion where they can gather information and think about their future visions while being exposed to more diverse views through exchange with peers outside the Company. We will implement initiatives to support female employees in continuing to enjoy their work.

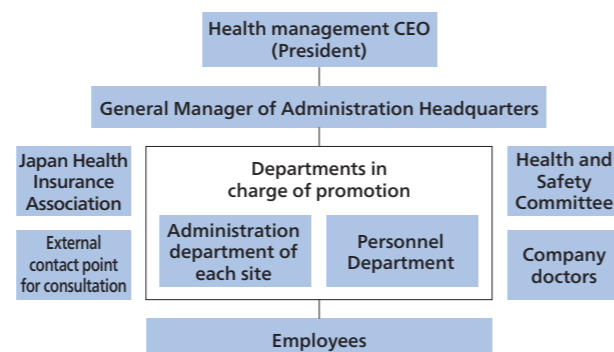
Health Management

Health management of Suminoe Textile Co., Ltd.

Suminoe Textile Co., Ltd. promotes health management based on the concept of the Group's Health Management Declaration.

Going forward, we will conduct Group-wide initiatives to strengthen health promotion activities and systems for management and evaluation, along with measures for work-life balance.

Health promotion system of Suminoe Textile Co., Ltd.



Activities implemented by Suminoe Textile Co., Ltd.

Descriptions	Activities in FY2023
Promotion of a work-life balance	<ul style="list-style-type: none"> Held a life design seminar (on basics of caregiving). Established regulations on working from home and staggered working hours system.
Measures against lifestyle-related diseases, etc.	<ul style="list-style-type: none"> Helped employees with expenses for cancer examinations and complete physical checkups. Helped employees with flu vaccination expenses. Recommended seeing a doctor to employees who were designated by Company doctors, from among those required to take a re-check or further investigation as a result of health checkups.
Measures against mental health problems	<ul style="list-style-type: none"> Implemented stress checkups. Held medical interviews between employees and Company doctors.
Raising health improvement awareness	<ul style="list-style-type: none"> Provided health counseling by Company doctors (every month). Held health seminars and distributed videos on health topics. Set up points of contact for consultation.

Work-Life Balance

Formulating the "Working Style Reform Action Plan 2023"

To enable employees to continue to display their best performance and produce positive results, employee well-being (a state of complete physical, mental and social well-being) is indispensable. It is therefore absolutely vital to identify factors that may negatively affect employee well-being and take improvement measures. These measures are also important from the perspective of human capital utilization.

In June 2022, the Group formulated the Health Management Declaration and the Basic Policy on Work-Life Balance. As specific initiatives to follow these guidelines, we established the Working Style Reform Action Plan 2023 (hereinafter "Action Plan") dated June 1, 2023, for all the 17 SUMINOE GROUP companies in Japan.

In the future, we will check and evaluate the progress in our efforts toward the Action Plan to implement the PDCA (plan-do-check-act) process, through which we can improve and continue measures. In so doing, the Group will seek to realize health management, promote work-life balance, and enhance its corporate value.

SUMINOE GROUP working style reform action plan 2023 Period: From June 1 2023 to May 31 2024

Indicator	Target
1. Number of employees who worked 70 hours overtime a month	0
2. Use rate of annual paid leave (%)	70
3. Rate of male employees taking childcare leave (%)	100

Use of paid leave (in Group companies in Japan) As of May 31 each year

Item	2022	2023
Use rate of annual paid leave (%)	60.4	59.9

Number of employees who used childcare/family care supporting systems (Group companies in Japan) As of May 31 each year

Item/sex		2022	2023
Childcare leave, etc.	Number of employees who took childcare leave	Male 1 Female 13	2 13
	Number of employees who returned to work after childcare leave	Male 1 Female 9	2 12
	Number of employees who took family care leave	Male 0 Female 18	0 22
	Number of employees who worked from home	Male Female	 33
Family care leave, etc.	Number of employees who took childcare leave	Male 0 Female 0	0 0
	Number of employees who worked from home	Male 0 Female 0	0 0
	Number of employees who reduced working hours	Male Female	 4
			1

Encouraging male employees to take childcare leave

We encourage employees to take childcare leave, as part of our efforts to develop a corporate culture that embraces diversity and to promote work-life balance aimed at making employees' work and life fulfilling. Suminoe Textile Co., Ltd. added a provision that "Of the period of childcare leave, employees shall be regarded as having been at work up to 14 working days before returning to work," effective since June 2023. The Action Plan sets 100% as the Groupwide target for the rate of employees taking childcare leave. We will apply the provision to Group companies and promote coordination across the Group, toward attaining this target.

Developing a Safe and Secure Work Environment

Progress in the occupational health and safety initiatives and deliberation on the causes of occupational accidents and preventive measures

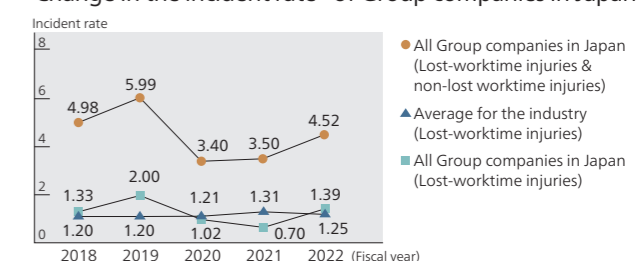
The Group's Central Health and Safety Subcommittee holds meetings three times a year, bringing together persons in charge of promoting occupational health and safety at Group companies, to exchange views about prevention of occupational accidents and report on the activities of each company. In fiscal year ended May 2023, the rate of lost-worktime injuries was 1.39.

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.

Activities to prevent occupational accidents at Suminoe Techno Co., Ltd.

As part of its activities to prevent occupational accidents, Suminoe Techno Co., Ltd. conducts hands-on safety training in which employees experience firsthand the danger of equipment and machinery. In FY2023, the company held training at the Nara Factory, using a simulation system that provided employees with a realistic feeling of being caught or pulled into a machine. Many employees have the opinion that realizing the danger of equipment firsthand is effective in raising safety awareness of operators. For this reason, Suminoe Techno will continue to conduct such hands-on training with different contents at the Nara or Shiga Factory alternately every year.

Change in the incident rate* of Group companies in Japan



Source: 2022 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

G Governance

Enhancing Governance

Basic approach

The SUMINOE 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 Code of Conduct and the Standards of Conduct. By appropriately operating these codes, we aim to be a company trusted in society.

Governance system

Board of Directors (No. of meetings held in FY2023: 9)

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 (No. of meetings held in FY2023: 9)

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 (No. of meetings held in FY2023: 1)

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.

Executive Committee/CSR & Internal Control Council

A meeting of the Executive Committee 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.

Board of Operating Officers (No. of meetings held in FY2023: 12)

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 the Executive Committee are announced, and reports are made on the present status of business execution by each operating officer.

Policies and procedures for selecting officers

The 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 Group 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.

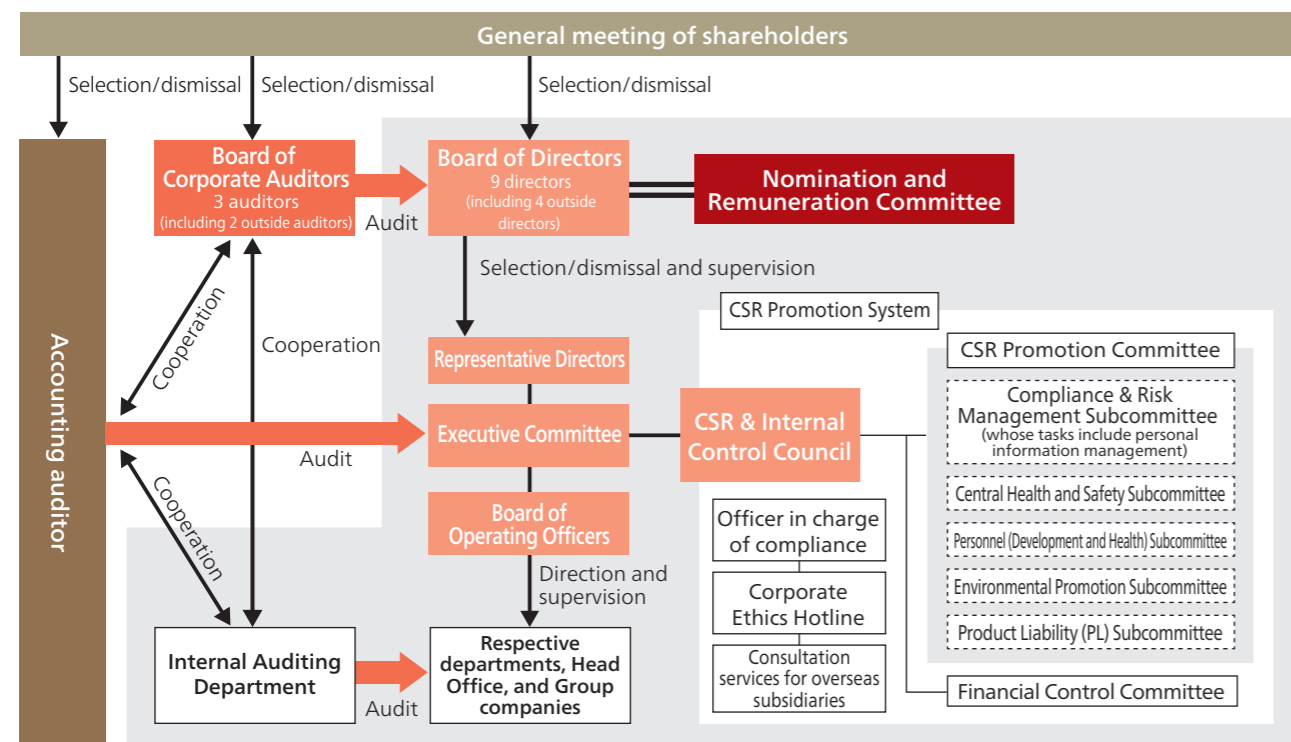
The Company's Board of Directors consists of inside Directors who are well versed in respective business and corporate activities and have a wide variety of knowledge and experiences and Outside Directors who are expected to provide advice and monitoring from a broad perspective. As for the selection 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. The Company appointed a female certified public accountant as an Outside Director in August 2021 and a female executive officer of a different company as an Outside Director in August 2023. These appointments enabled the Company to secure diversity, accounting literacy and global perspectives. 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	Tepppei Nagata	66	Male	6 years	●	●	●	●				
Managing Director	Hiroaki Usugi	59	Male	3 years	●					●	●	●
Managing Director	Toshiro Maruyama	65	Male	2 years	●	●	●		●			
Director	Eiichiro Kimura	64	Male	2 years	●			●	●			●
Director	Norihisa Murase	62	Male	1 year	●		●	●			●	
Outside Director	Haruo Shimizu	76	Male	7 years	●	●	●					
Outside Director	Kohei Nomura	75	Male	5 years				●			●	
Outside Director	Yumiko Oida	56	Female	2 year						●	●	
Outside Director	Yuko Shibuya	54	Female	—		●	●	●				
Full-time Corporate Auditor	Kiyokazu Ichikawa	64	Male	3 years		●			●	●	●	
Outside Corporate Auditor	Atsuhiko Sonoda	58	Male	4 years						●	●	
Outside Corporate Auditor	Takafumi Katayama	61	Male	3 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 2023.

Corporate Governance and CSR Promotion System



G Governance

Evaluation of the effectiveness of the Board of Directors

Results of third-party analysis and matters requiring improvement

The Group analyzed and evaluated the effectiveness of the Board of Directors, using the following processes, with the cooperation of a third-party organ.

- ① Prepare a “questionnaire survey regarding the effectiveness of the Board of Directors,” in light of the present conditions of the Group.
- ② Collect responses to the questionnaire survey from all directors and corporate auditors.
- ③ Compile and analyze responses to the survey and create a “report on the survey results regarding the effectiveness of the Board of Directors.”
- ④ Share the report with the Board of Directors, etc.
- ⑤ Conduct self-evaluation of the Board of Directors and formulate a policy for addressing the identified issues.
- ⑥ Share the evaluation results and an outline of the policy among the Board of Directors’ members.

Below are the contents of the “questionnaire survey regarding the effectiveness of the Board of Directors.”

Closed-ended (multiple-choice) questions

- ① Roles and functions of the Board of Directors
- ② Structure and size of the Board of Directors
- ③ Operation of the Board of Directors
- ④ Coordination with the auditing organs
- ⑤ Relationships with outside directors
- ⑥ Relationships with shareholders and investors
- ⑦ Summing-up

Closed-ended (free form) questions

- ① The Group’s characteristics, strengths and weaknesses and the reason for the answer (structure, operating methods, experience, coordination, etc.)
- ② Matters that you think the Board of Directors should improve or focus on in the future
- ③ Matters that you feel you might have further contributed to the Board of Directors
- ④ Other opinions and recommendations regarding improving the Board of Directors’ functions, governance, etc.

The survey results showed that the Board of Directors had a balanced structure and that lively discussions were held at the Board of Directors’ meetings. Accordingly, we conclude that the effectiveness of the Board of Directors has been ensured.

On the other hand, the following matters were identified as the issues to be addressed in the future.

- ① Enhance discussions on management strategies from a medium- and long-term perspective.
- ② Augment opportunities for outside directors to deepen their understanding of the Company.
- ③ Enhance reports about the internal control and risk

management systems.

In addition, outside directors recommended strengthening dialogue with shareholders and markets. They also suggested that additional venues for discussions with outside directors be created, for example, by holding a reporting session for them. Any of these issues will be addressed to improve operations of the Board of Directors in the future. We will also continuously evaluate the effectiveness of the Board of Directors in order to further enhance its functions.

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 (p. 59).

To address issues pointed out through the aforementioned evaluation of the Board of Directors, we strive to augment opportunities for outside directors to better understand the Group. Specifically, 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 responsible directors are provided subsequently as necessary. In November 2022, outside directors visited the Nara Factory, of which reorganization was completed in the same year (p. 58). We plan to utilize such factory/office tours as venues for exchanging views as to human resources development, sustainability and other medium- and long-term issues, which had not been fully discussed at meetings of the Board of Directors.

Status of attendance at Board of Directors’ meetings

As of May 31, 2023

Title	Name	Attendance at board meetings
President	Teppei Nagata	100% (9/9 times)
Managing Director	Hiroaki Usugi	100% (9/9 times)
Managing Director	Toshiro Maruyama	100% (9/9 times)
Director	Eiichiro Kimura	100% (9/9 times)
Director	Norihisa Murase ^{*1}	100% (7/7 times)
Outside Director	Haruo Shimizu	100% (9/9 times)
Outside Director	Kohei Nomura	100% (9/9 times)
Outside Director	Yumiko Oida	100% (9/9 times)
Outside Director	Yuko Shibuya ^{*2}	-
Corporate Auditor	Kiyokazu Ichikawa	100% (9/9 times)
Outside Corporate Auditor	Atsuhiro Sonoda	100% (9/9 times)
Outside Corporate Auditor	Takafumi Katayama	100% (9/9 times)

*1 Appointed August 2022

*2 Appointed August 2023

Auditing status

Audits by the Board of Corporate Auditors

The Board of Corporate Auditors always seeks to coordinate with related departments and units in order to further enhance the effectiveness of audits conducted by the Board of Corporate Auditors.

The full-time Corporate Auditor reports to outside corporate auditors on the results of meetings of the Executive Committee and the Board of Operating Officers, as well as internal audits, to ensure close information-sharing with outside corporate auditors.

As for coordination between members of the Board of Corporate Auditors and the Internal Auditing Department, corporate auditors hear the auditing status from the Internal Auditing Department and then follow up on and verify the audit findings. Also, the Internal Auditing Department members are present at business audits by the corporate auditors when necessary.

As for coordination between members of the Board of Corporate Auditors and the accounting auditor, the accounting auditor provides explanations about audit plans to corporate auditors at the beginning of the fiscal year and holds regular meetings as to the implementation status of accounting audits during the fiscal year. As the need arises, a meeting is held with the attendance of members of the Internal Auditing Department and the CSR Promotion Department to share auditing issues mainly regarding internal audit evaluations and to strengthen coordination among participating units. Also, members of the Board of Corporate Auditors and the accounting auditor work in close coordination by timely exchanging information on the accounting processes and opinions regarding audit dates. In addition, corporate auditors attend the audits performed by the accounting auditor during and at the end of the fiscal year.

Status of internal auditing

The Internal Auditing Department comprises three members and is under the direct control of the President, the Executive Committee, and the CSR & Internal Control Council. Based on the Internal Audit Regulations and the Internal Audit Guidelines, the Internal Auditing Department conducts audits to confirm that the Company and its Group companies in Japan and overseas are performing their duties properly. The Department also audits the development and operation status of the systems and processes for internal controls, including the internal control concerning financial reporting. In fiscal year ended May 2023, the Department implemented on-site audits for five consolidated subsidiaries in four countries—the United States, Mexico, Indonesia and Thailand.

As for internal controls concerning financial reporting, the Company and 14 consolidated subsidiaries were evaluated for their company-wide internal controls, and five consolidated companies were evaluated for their internal controls of work

processes. The results of these internal audits are reported not only to the Company’s President and the Executive Committee but also to corporate auditors, the accounting auditor and the Financial Control Committee. By raising questions and making improvement proposals, the Internal Auditing Department seeks to improve the internal control system. Moreover, the Department strives to reinforce mutual coordination with the Board of Corporate Auditors by such means as holding a liaison meeting whenever necessary.

Status of attendance at Board of Corporate Auditors’ meetings

As of May 31, 2023

Title	Name	Attendance at Board of Corporate Auditors’ meetings
Full-time Corporate Auditor	Kiyokazu Ichikawa	100% (9/9 times)
Outside Corporate Auditor	Atsuhiro Sonoda	100% (9/9 times)
Outside Corporate Auditor	Takafumi Katayama	100% (9/9 times)

Supervision and audits by outside officers

Close coordination between the Internal Auditing Department and the accounting auditor

From viewpoints based on their experience and expertise, outside directors and outside corporate auditors express their opinions where necessary in order to ensure the validity and appropriateness of the decisions made by the Board of Directors and to supervise business execution. Outside corporate auditors proactively obtain information required for audits from a neutral standpoint and share the information with other auditors so as to enhance the auditing environment.

Outside directors and outside corporate auditors maintain close coordination with the Internal Auditing Department members and the accounting auditor. They require the Department and the accounting auditor to submit reports as needed in order to improve supervision and auditing efficiency. If an inadequacy or deficiency is identified through these supervision and auditing activities, the Internal Auditing Department, which is in charge of internal controls, implements measures to correct and supervise the inadequacy or deficiency and evaluates the internal controls.

G Governance

Remuneration for officers

Matters regarding the policy for determining details of remuneration, etc. of each director

The Company 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 director

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 Company'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 to 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 Company.

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 by 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 with the corporate auditors within the range of remuneration determined at a general meeting of shareholders.

Total amount of remuneration, etc. for each officer category, total amount of remuneration, etc. by type, and number of eligible officers

Officer category	Director ^{*1}	Corporate Auditor ^{*2}	Outside officer
Total amount of remuneration, etc. (Millions of yen)	144	15	23
Total amount of remuneration, etc. by type (Millions of yen)	Basic salary	134	23
	Performance-based remuneration, etc.	-	-
	Non-monetary remuneration, etc.	9	-
Number of eligible officers	6	1	6

*1 Excluding outside directors

*2 Excluding outside corporate auditors

Policy for constructive dialogue with shareholders

Holding briefings for investors

To earn an appropriate evaluation from shareholders and other stakeholders, the Group strives to realize constructive dialogue with shareholders within the scope and by the means deemed to be appropriate by the Group, and it provides opportunities to deepen their understanding of the Group's management strategies and business environments.

In addition to holding IR briefings for institutional investors semiannually in Tokyo and Osaka, we visit major shareholders around the time when financial results are announced to explain about the financial results and our future initiatives and to hear opinions from these shareholders. For individual investors, company briefings are held at irregular intervals.

As for the handling of the important facts that have not been published, our basic concept is that we should ensure the equality of shareholders. Under this concept, we comply with the Financial Instruments and Exchange Act and other relevant laws and regulations, and we conduct thorough information management, based on the regulations for preventing insider trading, which is our in-house regulations established to prevent insider trading.

Cross-shareholding

Reasonable and appropriate holding

The Company 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 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 Company 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

We have 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 operations through the elimination of forms and to integrate data on balance and particulars of receivables and payables so that they can be easily grasped. In October 2022, Suminoe Textile Co., Ltd. and Suminoe Teijin Techno Co., Ltd. introduced a new system. In September 2023, the new system also came into full-scale operation at SUMINOE Co., Ltd., RUNON CO., LTD., and Suminoe Techno Co., Ltd.

Going forward, we will further expand the application of these systems throughout the Group. We will also work to enhance functions of these systems by promoting electronic invoicing, introduction of a cloud service for expense settlement, and reinforcement of administrative accounting. At the same time, we will endeavor to prevent misconduct.

Interactive communication through "Management by Walking Around"

Interactive communication between top management and employees to discuss worksite problems

The 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, directors and operating officers visit the Group's offices and factories and exchange opinions with local employees.

In fiscal year ended May 2023, top management visited a total of nine offices/factories, including the Shiga Factory of Suminoe Techno Co., Ltd., Suminoe Textile Vietnam Co., Ltd., and Seki Textile Co., Ltd, which joined the Group in July 2022. As their worksite problems, local employees pointed out aging equipment and facilities, aging employees, etc.

In November 2022, a meeting of the Board of Directors was held at the Nara Factory, whose reorganization project was completed in the same year. All directors, including outside directors, looked around the factory as well as the newly constructed warehouse and Technology Development Center buildings, where they exchanged opinions with employees. An outside director said: "It was a valuable opportunity to visit an operation site, not through reference materials but in person. I had a very meaningful time since I was able to deepen my understanding of the SUMINOE GROUP." As exemplified by this comment, many positive opinions were expressed.

The "Management by Walking Around" initiative allows top management to address problems with a greater sense of ownership through firsthand observation of the work environment and direct communication with local employees. We will continuously implement "Management by Walking Around" in the future.



Top management during "Management by Walking Around"

G Governance

Ensuring Compliance

Basic Policy

Corporate activities in compliance with laws and corporate ethics

The 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 December 2022, we revised the Compliance Guidance and distributed the revised Guidance to all Group employees in Japan. Its English and Chinese versions were also prepared and distributed to overseas Group companies.

The Group companies in Japan use the Guidance for compliance-related lectures, which are continuously delivered to employees when they enter the company and receive level-based training. Also, at these companies, an employee reads the Code of Conduct aloud at the morning assembly.

Compliance training

Training for officers and for executive employees

We have continuously implemented compliance training with external specialists invited as lecturers. In fiscal year ended May 2023, a training session was held for officers on the theme of "Human Rights Issues Associated with Business Activities and the Responsibility of Management Executives" so that participating officers could learn about the background of increased attention to human rights issues and how to cope with these issues. Another training session selected "Toward Realization of DX—Roadmap and Final Targets" as its theme, under which officers were lectured about what targets should be set to promote digital transformation and what initiatives should be undertaken in the future.

The Company also conducted training sessions for a total of 49 executive employees who serve as directors of the Group companies on the themes "How to Read Financial Statements" and "Significance of Internal Control (Company-wide Internal Control)."

Going forward, we will implement compliance training on themes selected for each business category.

Initiatives for personal information protection

To notify all employees of the amended Act on the Protection of Personal Information and to reduce the risk of leakage, we have published the Group's rules concerning handling of personal information in the Risk Management Manual and the Compliance Guidance so that all Group employees in Japan can ascertain the rules to follow. At the same time, the Company held briefings for several Group companies in Japan that handle a large amount of personal information.

Subsequently, to confirm the management status of personal information handled by each department and its risk level, we distributed check sheets for personal information protection to respective departments and collected these sheets. If a collected check sheet revealed that the department carries a high risk, we conducted an on-site inspection of the department and urged it to take improvement measures.

The above initiatives are posted on the in-house intranet to continuously remind employees that they should take great care when handling personal information. We are also planning to hold a meeting to explain about personal information protection to new employees, and we will continue to verify the status of personal information management in departments with a high risk.

Continuously implementing in-house study meetings

The Group has continuously been holding study meetings on laws and regulations related to business operations to prevent employees from mistakenly violating laws. This fiscal year, these study meetings were held under the theme of "Subcontract Act" and "Act against Unjustifiable Premiums and Misleading Representations," with the participation of 307 employees in total.

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.

We added the contents of the system operation regulations that were revised in 2022 to the Compliance Guidance (in Japanese), which was distributed to all Group employees in Japan.

Through in-house training sessions and by other means, we will continue to ensure that all employees are notified of these contact points.

Consultation services used (number of consultations received)

Contact point for consultation	2022	2023
Corporate Ethics Hotline (in-house contact point)	1	0
Corporate Ethics Hotline (external contact point)	0	0
Harassment consultation contact point (in-house contact point)	1	8
Harassment consultation contact point (external contact point)	3	9
Total	5	17

Risk Management

Risk management system

Reporting to the Executive Committee after deliberation by the committees concerned

The Group has established the following risk management system. The CSR Promotion Committee, which comprises members 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 (Executive Committee) 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. 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.



Restructuring of the core systems

Application of the production management system to various departments (in Japan)

We are working to gradually introduce a production management system that is specifically tailored to the textile industry to various departments in Japan. This fiscal year, we have completed defining the requirements, aiming at starting full-scale operation of the system in the sales 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. We will continue to promote the widespread use of this production management system, with a view to its application across the Group.

Strengthening global risk management

Introduction of the production management system (overseas)

We have judged that IT controls are the most effective means for strengthening internal controls at overseas Group companies. We

have therefore promoted the introduction of a production management system focusing on inventory management, which entails particularly large risks, into SPM Automotive Textile Co., Ltd. Guangzhou in China and PT. Suminoe Surya Techno in Indonesia. In fiscal year ended May 2023, after we had repeatedly made adjustments while parallelly running the old and new systems, the new system was finally brought into full-scale operation. We will promote the introduction of the system to other Group companies in the future.

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 1, 2023, these two companies carried out personal safety confirmation drills, and the emergency headquarters was able to swiftly confirm the safety of all employees.

Moreover, to ensure prompt response to emergencies at overseas Group companies, the Crisis Response Manual on Overseas Assignment, which is included in the Risk Management Manual, was revised to provide clear and detailed descriptions of the emergency contact routes and the duties to be performed by respective persons in charge.

* 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. To protect and utilize intellectual property rights, employees must obtain an accurate understanding of and deepen their knowledge of intellectual property rights. For this reason, we provide employees with education about these rights at the time of joining the company. In addition, information on the patents of other companies is reported at regular technical meetings. Every month, we confirm other companies' patents associated with the Group's technologies and communicate the obtained information across the Company. By doing so, we utilize the information on these patents for technology development in the future and for preventing the Company from infringing on patents of other companies.

We will continuously conduct intellectual property education and information sharing in order to protect and make effective use of intellectual property rights.