

We strive to enhance the entire Group's corporate value by encouraging each business to pursue further growth, with the overseas expansion of the Automotive Textiles business serving as a profit driver



A corporate culture, which blends tradition and innovation, as the very source of our competitive advantage

The history of the SUMINOE GROUP dates back about 140 years to its founding, when our founder succeeded in manufacturing carpets as the first of its kind in Japan. Since then, the Group has brought innovation to various spaces. We have participated in many infrastructure projects conducted by the Imperial Household Agency, other government and municipal offices, and the Japan National Railways, among others. In the area of seat coverings used in railway cars, the Group successfully produced Japan's first seat covering materials. Even now, we have hold approximately 80% of the domestic market share in this area. Additionally, the Group has also been engaged in interior work for renowned hotels and creating comfortable office spaces.

One of the key features of the Group is that it has continued to make innovation in these areas while valuing traditional culture and techniques. TANGO TEXTILE Co., Ltd., a Group company located in the Tango Peninsula in Kyoto Prefecture, continues to manufacture *dantsu* carpets, *doncho* curtains and other products by hand weaving or using the hooked rug method, up until today. TANGO TEXTILE has preserved the tradition and culture representative of Japan, by manufacturing custom-made products, including hand-woven *dantsu* carpets delivered to the State Guest House, Akasaka Palace, and the Kyoto State Guest House. As the only one factory that produces hand-woven textiles on this scale in Japan, TANGO TEXTILE plays a prominent role in passing on the traditional craftwork techniques to future generations. While honoring the tradition in this manner, the Group also places emphasis on the development of highly-functional, high value-added carpets. I believe our mission is to bring new products that integrate tradition and innovation to the marketplace, and that this also represents the strength of our Group.

Teppei Nagata

President

The Group's position in the automotive industry

In the Automotive Textiles and Traffic Facilities segment, which is the mainstay business of the Group, currently we provide highly value-added products through the effective use of our one-of-a-kind technologies. With regard to the Automotive Textiles business, the SUMINOE GROUP is positioned as "one of the worlds' most unusual entity." As this suggests, we are among the few manufacturers capable of supplying a total line of automotive textiles, ranging from ceiling materials, seat coverings, floor carpets, car mats, to components of luggage compartments and wheelhouses. Furthermore, we hold patents in a niche field of "decorative fabric materials," including ribbons that enhance the originality of seat coverings, enabling us to create beautiful designs that other companies cannot. This is also one of our strengths. Due to our distinctive technological skills and comprehensive supply capabilities, the Group has been highly acclaimed as "a uniquely innovative manufacture" by both Japanese and non-Japanese automakers. This favorable reputation has provided us with opportunities to enter new markets.

Furthermore, the Group strives to expand the Automotive Textiles business by developing new technologies for adding synthetic leather to decorative fabric materials. While there are various competing products, the Group has been focusing on developing synthetic leather that contributes to environmental protection and improves fuel economy through weight reduction. We are also working on activities to increase orders mainly in the North and Central American market, leveraging our design capability and embossing technologies we have cultivated through the fabric business so far. Through these efforts, we aim to further differentiate us from others in the synthetic leather field and maximize the strengths of the Group.

As for our future strategies, after strengthening our presence in the North and Central American market, we plan to expand into the Indian market. Another important business task is to establish a base for advancing into the European market. Through these measures, the Group will accelerate global business expansion. Additionally, we are considering increasing production of car mats and floor carpets to meet future market trend and demand. By using high-quality synthetic leather featuring excellent design as our growth engine, the Group will pursue further global development and strengthen its competitiveness in the world market.

For many years, the SUMINOE GROUP has developed various technologies and products geared for the automotive industry. However, we may have underestimated our Group's capability. For example, the initiatives of the Group have been highly regarded by foreign automobile manufacturers. During our factory tours, they are often amazed, saying "You are doing such great things." These reactions reaffirm the high value that the Group offers. Among other things, foreign companies are attracted most strongly to our strength of being a total supplier. The Group has attracted much attention since it can offer comprehensive services that are unrivaled by others, leveraging its textile processing technologies and product line that covers the entire vehicle space. As such, I believe that we should forge ahead with business expansion with greater confidence.

Foundation for innovation and growth in the Automotive Textiles business

The Group has continuously innovated for many years, being a pioneer in the interior industry. A prime example is *スミトロン* (SUMITRON), the Group's proprietary recycled polyester fiber. It was originally developed as a polyester fiber for carpets, over 30 years

ago. This voluminous recycled polyester fiber, made through the three-dimensional crimp processing, turned out to be an innovative product in the carpet industry. Subsequently, the fiber was widely adopted for surface covering materials of electric carpets.

After a few decades, this technology was applied in the automotive industry. We re-developed *スミトロン* (SUMITRON), which had conventionally been used as carpet yarn, as a material for car seat covers that fit in with an active image of SUVs. This fiscal year, this automotive textile was adopted by Toyota Motor Corporation for the Land Cruiser "250," as the carmaker highly evaluated it for using 50% or more recycled polyester. Moreover, Toyota Motor Corporation conducts recycling-oriented initiative to produce *スミトロン* (SUMITRON) by recycling PET bottles discarded from its plants and offices. This initiative is drawing attention as the first of its kind in the world.

The automaker-supplier collaboration that has realized this recycling-oriented initiative blazed a trail in the entire industry. The concept of converting carpet yarn into vehicle seat covering material demonstrates the Group's technological capabilities and innovation. It can be said that the concept came to fruition again in a new genre after three decades. Based on this accomplishment, we will continue to realize more innovative initiatives.

The Group's corporate value from the viewpoint of an executive officer

I have worked in the Functional Materials business for more than 30 years. Judging from my own experience, I am proud that the Group's technological capabilities, particularly in carpet manufacturing and additional processing technologies, are unique and not imitable by other companies. For example, our deodorizing, water-repellent, and allergen reduction technologies can be applied to a variety of fields. These technologies are not dependent on the specific materials, enabling additional processing to provide each function to various textiles afterward. Using these technologies, we have succeeded in advancing into other industries, as exemplified by the deodorizing filters for household appliances. As this history illustrates, without being self-complacent about its position as a long-established interiors manufacturer, the SUMINOE GROUP has consistently pursued progressive initiatives to offer new value by applying a broad range of technologies. I am confident that this indicates the profundity of the Group.

As our Company Motto includes the word "sincerity," the Group places the utmost importance on trust. This attitude serves as the foundation for establishing long-term transactions and relationships of trust with stakeholders, and has been well-received by partners in different industries. To be honest, however, I believe that our investor relations are sometimes deemed conservative and not sufficiently appreciated, probably because of our overly serious approach. We should therefore work on public relations more actively, since we have many more technologies and products that have great potential within the Group.

About latest business conditions

Regarding business performance in the fiscal year ended May 31, 2024, profit attributable to owners of parent was impacted by the recording of a provision for loss on sales of shares of subsidiaries and associates arising from share transfer of Sumisho Airbag Systems Co., Ltd., an entity accounted for using the equity method. However, net sales, operating income and ordinary income exceeded the Company's forecast figures. Notably, net sales and operating income reached record-setting levels, while ordinary

income maintained almost the same level.

In the Automotive Textiles business, we saw steady results of measures taken in the COVID-19 pandemic, while benefiting from the weaker yen. Our U.S. business base, which had been in the red for many years, achieved profitability in the past two years since I became the President of the Company. This is an example of significant outcomes of efforts we have made at our North and Central American bases. Looking into the future, we invested 3 billion yen in purchasing land and constructing a new factory at our subsidiary in Mexico. We also secured a large order for floor carpets from a major foreign automobile manufacturer in the United States. In this way, our investment in the Mexican subsidiary has been showing smooth progress, and we expect further growth of the subsidiary.

The Interior Fittings segment improved its overall performance due to the recovery in demand for products designed for hotels, etc. However, in the area of household products, performance was affected by the lingering backlash from the inward-looking consumption behavior during the COVID-19 pandemic, resulting in a slight profit decrease despite the sales increase in the segment as a whole. For household carpets, we plan to develop high-value added products corresponding to the middle- to high-end product range, where the Group has strengths, thereby further enhancing our competitiveness.

In the Functional Materials segment, orders for fabric-coated heating products significantly decreased due to an unusually warm winter, negatively impacting business performance. We are currently working to reorganize the factory in Vietnam, which we also plan to utilize as a manufacturing factory for the Automotive Textiles business. In addition to fabric-coated heating products, we are promoting the development of small household appliances for summer and all-season use, while focusing on expansion of the OEM business. Toward business turnaround and growth of the Functional Materials segment, the Group aims to produce great results within several years.

Policy for further overseas expansion

As an immediate priority, the SUMINOE GROUP will focus on the North and Central American bases, aiming to maximize the return there. Business growth in these regions is key to expanding the business scale and achieving the target of increasing the operating margin to 5%.

With a view to further growth, the Group pays attention to the Indian market as mentioned earlier. Currently, many Japanese automakers are facing difficult circumstances in the Chinese market, with increasing geopolitical risks. For this reason, it is certain that the Indian market will be a central pillar for future growth. The Indian market is expected to see automobile production double in the coming years. Given this situation, we anticipate the necessity for making investment with an eye toward on-site production of synthetic leather. The Group has already made its way into India by establishing a joint venture. Although it had to fight hard initially, as a result of its efforts to acquire orders that provide the most profit, the joint venture has now grown to achieve a high profit margin.

We are aware that additional investment in the Indian market must be made at the right time. If it is too early, we may take a high risk, but if it is too late, we may face difficulty in entering the market. Determining the right timing is critical in achieving future growth. We will develop concrete strategies while clearly identifying the growth potential in the market.

Changing the trade name looking ahead to new growth From "Suminoe Textile Co., Ltd." to "SUMINOE Co., Ltd."

The Group marked the 141th anniversary since its founding. To continue growing in the next 100 and 200 years, the Company will change its trade name to SUMINOE Co., Ltd. in December 2024.

Behind the decision about this change is a future vision that we developed in the light of growth and changes in business conditions while valuing the tradition of the previous name "Suminoe Textile." In the present-day business environment, we found it difficult to grow into a company producing sales at the level of 200–300 billion yen while maintaining "Textile" in the Company's name. Furthermore, we felt that the name "Suminoe Textile" posed some limitations for expanding globally. For these reasons, we judged that the trade name should be changed. In addition, we noted that Japanese people nowadays have some difficulty reading the Chinese characters "住江 (Suminoe)." The previous name of the Company had a traditional value as it was derived from a famous tanka poem. However, from the perspective of global expansion and inheritance to the next generation, we thought that it is a natural choice to use the alphabetical expression "SUMINOE" instead of the above Chinese characters.

Needless to say, we will seek the development in a new stage while continuing to value traditional textile techniques. As part of such efforts, we are sure that this trade name change is an important step toward future growth.

In conjunction with this change, a subsidiary of the Company, SUMINOE Co., Ltd., which plays a pivotal role in the Interior Fittings segment, will change its trade name to "SUMINOE Interior Products Co., Ltd." The new name highlights the company's position as a manufacturer and reflect its commitment to "providing our customers with satisfaction" by improving its comprehensive customer service. Making the most of the synergy with the space design business, the Company will strengthen its capability to make proposals for the betterment of the entire space.

Taking on challenges to create new value

Under the tagline "Bringing innovation to all kinds of spaces," the SUMINOE GROUP strives to create new space value. In the course of offering products associated with various kinds of spaces, we aim to evolve existing products to be more user-friendly and have higher added-value. It can be said that another important theme for us is to provide a new form of comfort by addressing inconveniences and other problems in today's everyday life.

The Group also focuses on expansion of the space design business in the Interior Fittings segment. We have steadily worked in enlarging our business domain through M&A. As a result, sales of the space design business have increased to more than 4 billion yen, which accounts for a little over 10% of the whole segment. Since this business field still has growth potential, we will take a promising opportunity for M&A whenever possible in the future. The Group aims for further growth especially by entering into new fields where we have not yet operated.

Along with creating of new value, reinforcement of the financial base is an important business task as well. Currently, the Company's equity ratio stands at 34.7%, and interest-bearing debt has been reduced from 22 billion yen to 18 billion yen. However, these figures are still insufficient for the Group, which has set the D/E ratio of 0.5 times as the target. To achieve the target, interest-bearing debt must be reduced to around 15 billion yen. We will make continued efforts to decrease interest-bearing debt, also in response to the increase in interest rates.

Additionally, we will reduce and liquidate cross-shareholdings in stages. Through these initiatives, we plan to further stabilize the

financial structure and improve cash flow, ensuring an enterprise is strong enough to make necessary investment in a speedy manner. It is essential to secure sufficient cash for new projects that we plan to implement in the future, including investment in the Indian market. We will therefore strive to steadily increase the bottom line while maintaining the appropriate profit levels.

Exerting the Group synergy

Previously, each of the Group's business segment displayed its own strengths individually by functioning like an independent enterprise. However, this left us with a task of generating synergies across the Group. For example, it was common that employees working for the Automotive Textiles business had little knowledge of what their peers in the Interior Fittings segment were doing.

To improve that situation, the Company has been holding events called "Tsunagu-wa-cation", which bring together employees from different departments to provide them with opportunities to deepen mutual interchanges through opinion exchanges and meetings.

In the design area, we offer opportunities for designers of Interior Fittings, Automotive Textiles, Traffic Facilities, etc. to meet together, as part of our efforts to create an environment where they can share different perspectives and be stimulated by each other. For instance, in the past, members of respective departments separately attended the Salone Internazionale del Mobile di Milano, which is one of the world's largest furniture fairs held in Italy. To address this situation, we plan to hold a meeting at which participants announce their observation reports, in order to share each department's design views and approaches, through which we expect to produce mutually beneficial results.

I believe that initiatives mentioned above will strengthen the cooperation systems within the Group and generate greater synergies. I also feel that the awareness of the "SUMINOE GROUP" has gradually become instilled among employees. In the future, we will continue these initiatives to accelerate the organization-wide growth by maximizing the Group synergy while strengthening our presence in diverse business fields.

Evolving into an enterprise where individual employees take pride in their jobs

As an executive officer, I believe that the Group must be an enterprise that arouses hopes in the minds of employees, motivating them to play more active roles or to work hard to perform better in their companies. To achieve this, we need to make improvements on various aspects, including compensation for employees and the employment environments. If a company is to achieve growth, it is vital that its employees take on new challenges and work with enthusiasm. Ever since I assumed the presidency of the Company, I have always been requesting employees to develop the attitudes of "embracing new challenges."

However, due to the lingering economic slump following the bankruptcy of Lehman Brothers, compensation for employees decreased, in the context of stagnant performance during the COVID-19 pandemic. Now as we recover from the pandemic, I believe it is crucial to steadily increase the employee compensation to the appropriate levels, in order to ensure retention of employees and the Company's growth. Since I am aware that the situation has not yet improved sufficiently, we will continue to upgrade the reward system in a step-by-step manner. Accordingly, the Group must secure the bottom-line profits.

Our transformation is making solid progress. However,

I feel that it is only half finished. I am certain that creating an environment that enables employees to enjoy working with pride will lead to realizing the ideal state of the SUMINOE GROUP, and that it is indispensable for sustainable corporate growth.

Toward mid- to long-term sustainable growth

The Group has consistently expanded the scope of each business field. As a result, its most recent net sales amounted to 103,400 million yen. We also confirmed that the Company satisfied the continued listing criteria for the Prime Market as of May 31, 2024. Nevertheless, considering sharp fluctuations in the Company's share price, we are aware that we still have some other tasks remaining to be addressed. We will strive to consistently maintain compliance with the continued listing criteria and to achieve further growth in the future to evolve into a 2 hundred-billion-yen enterprise. To this end, it is essential for the Group to strengthen its comprehensive capabilities, in addition to expanding the business fields and increasing profits. In conjunction with these efforts, we need to promote powerful branding strategies.

Looking back, in the late 1950s, the Company was known nationwide through a TV commercial as a growth company that succeeded in popularizing carpets, which were high-end products until then. However, after reaching a stable stage, the Company did not focus enough on branding activities. Unfortunately, now the Company attracts little attention in the media, as a small to medium-sized listed enterprise. To move out of the present situation and to be widely recognized by society, the Group must conduct vigorous branding activities while enhancing its comprehensive corporate strengths.

Meanwhile, in response to the increasing significance of sustainability in corporate activities, the SUMINOE GROUP identified materiality (key issues) in June 2024, taking into account both the importance for stakeholders and the importance for the Company's long-term business activities. The objective was to realize the creation of the Group's medium to long term corporate value. Going forward, we will implement specific initiatives to achieve our targets.

The Group is convinced that it can acquire the ability to achieve sustainable growth and improve corporate value, by continuously bringing innovation to all kinds of spaces. We will strive to further improve the ability to make a greater contribution to society as an enterprise that are closely engaged in your daily life. Simultaneously, we will enhance corporate value by raising numerical targets for business performance and increasing the bottom-line profits, and then cyclically use the results for even further growth.

We remain committed to being a corporate group that deserves attention of stakeholders. We would appreciate your continued interest in the future developments of the Company.



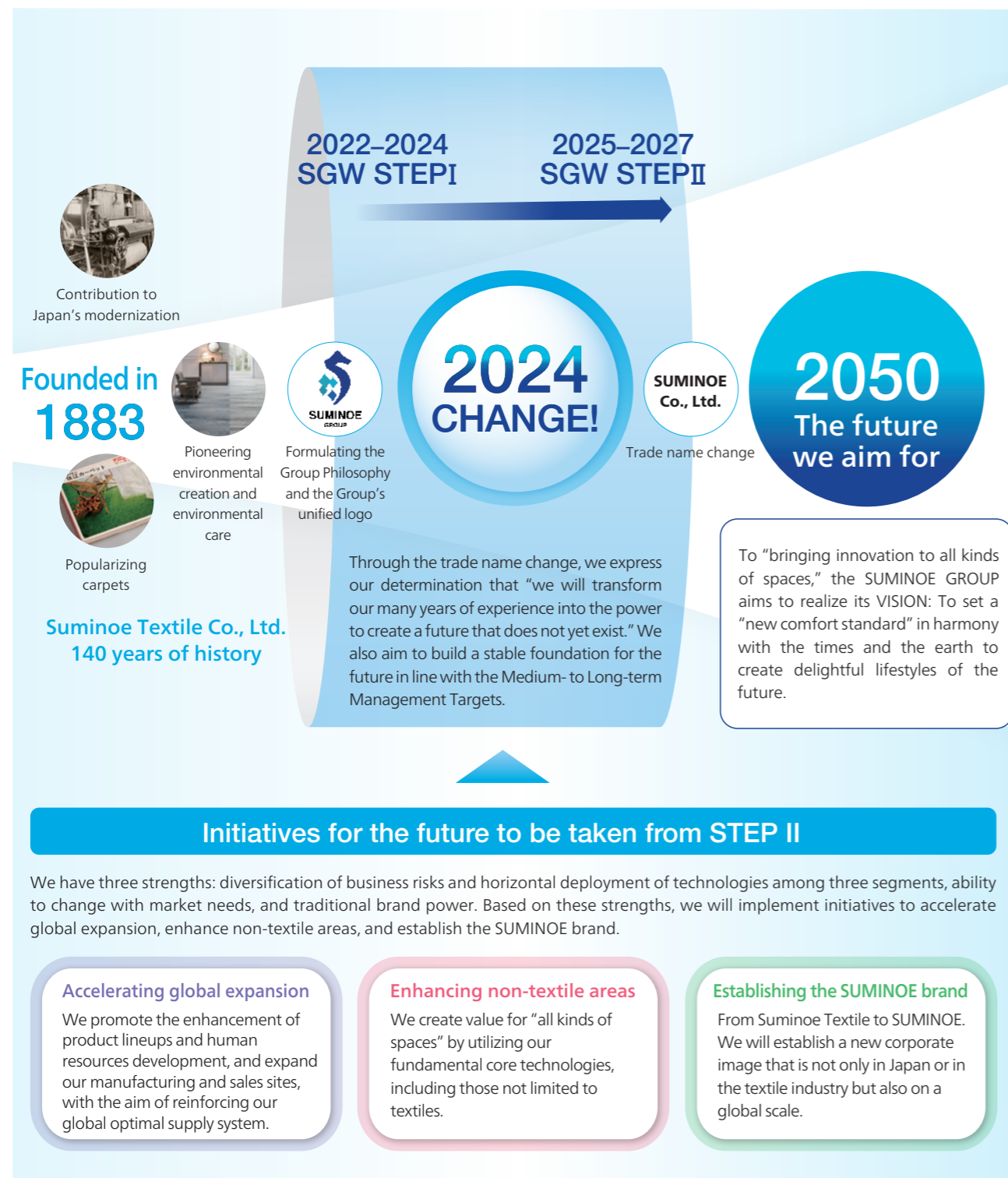
History of the SUMINOE GROUP's transformation and initiatives to achieve the future it aims for

Since its founding in Sumiyoshi, Osaka, in 1883, as a pioneering interior manufacturer, the SUMINOE GROUP has provided customers with a wide range of textile products and expanded its business domain while responding to the needs of the times.

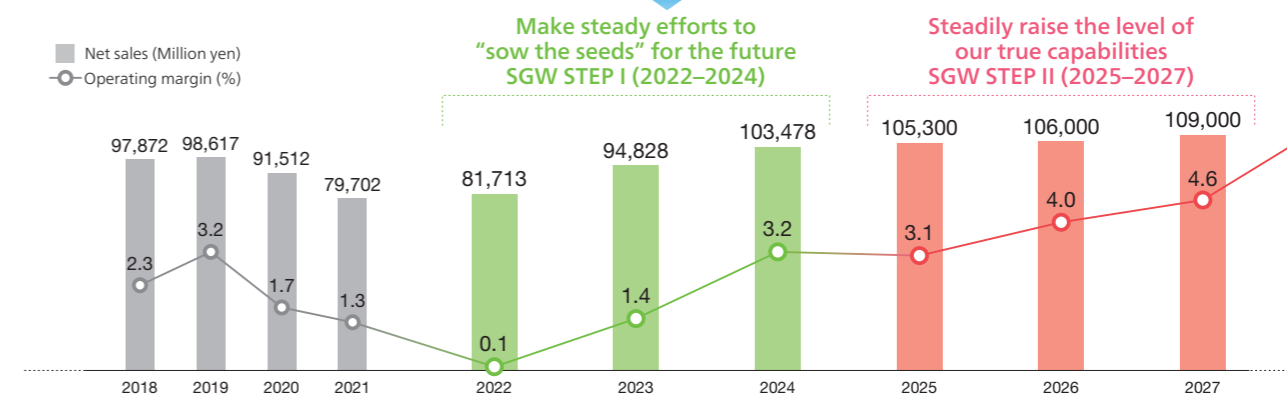
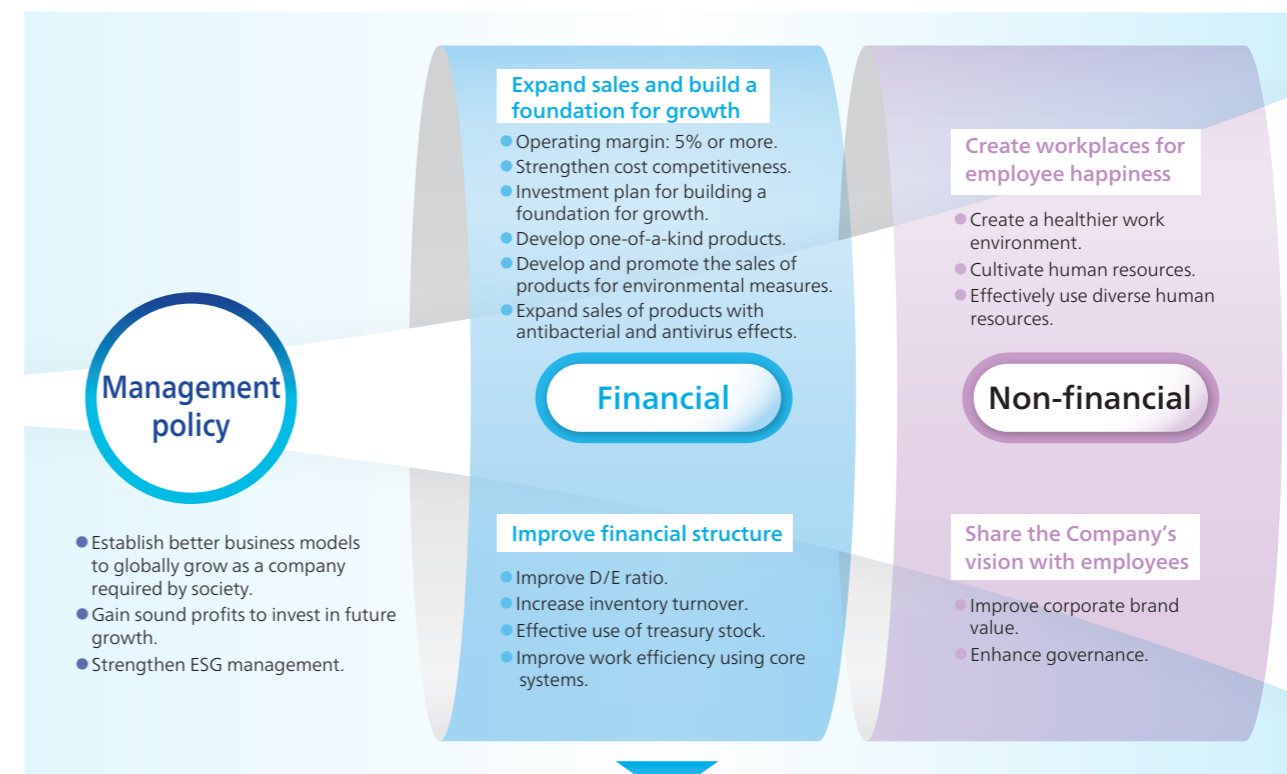
In July 2021, the Group announced the "SUMINOE GROUP WAY 2022-2024-2027 (hereinafter SGW)," which spans six years in two phases and is already under way. In the STEP I (2022-2024)

for the first three years of the SGW, we have steadily worked to "sow the seeds" for the future. In 2024, we newly formulated the STEP II (2025-2027) for the latter half of the SGW, which is positioned as a period in which we will steadily raise the level of our true capabilities.

By promoting STEP II, we aim to achieve sustainable growth and further enhance our corporate value.



Overall picture of Medium- to Long-term Management Targets



Review of SGW STEP I (2022-2024)

SGW STEP I plan and results

Net sales and operating income achieved the plan

(Million yen/FY ended May 31)

	2024 Plan	2024 Results
Net sales	93,490	103,478
Operating income	3,300	3,300
Operating margin	3.5%	3.2%
Return on equity (ROE)	6.6%	2.9%
Capital investment (3-year total)	10,000	10,953

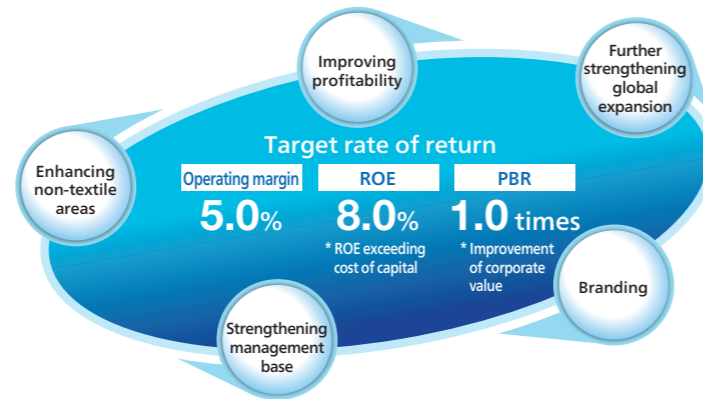
Achievements

- Achieved profitability at the North and Central American base by restructuring the production systems of U.S. and Mexican subsidiaries (achieved profitability at all overseas bases for Automotive Textiles)
- Implemented appropriate price pass-through
- Increased recognition of the high environmental performance of ECOS® series, eco-friendly carpet tiles, under the horizontal recycling system
- Expanded the space design business
- Established a synthetic leather factory to sow the seeds for new development
- Worked to expand recognition as a global supplier in the North and Central American market, which resulted in receiving orders from foreign manufacturers

Policy of SGW STEP II (2025–2027)

Priority themes for STEP II

By pursuing five priority themes while steadily raising the level of our true capabilities, we aim to achieve our target rate of return by the fiscal year ending May 31, 2027.



Tasks, strategies, and policy of each segment

Automotive Textiles

Tasks

- Strengthen capability for proposals through information sharing across businesses.
- Strengthen the management base and increase profits in North and Central America.
- Enhance proposals to foreign manufacturers and increase sales of new products.

Strategies and policy

- We will pave the way for improved profitability by updating our global strategy and advance investments for full-scale growth of our operations in North and Central America to increase our presence in overseas markets.
- Develop a proposal system for synthetic leather and further increase orders.
 - Obtain new orders and expand sales for one-of-a-kind products, such as decorative fabric materials for car seats.
 - Find new customers through technical and design presentations.



Traffic Facilities

Tasks

- Increase profits by optimizing and streamlining the production system.
- Expand sales by developing and increasing sales of functional products.

Strategies and policy

- As a market leader holding the top market share for over a century, we are committed to technological innovation while preserving traditional Japanese culture and techniques.
- Ensure an efficient and stable production system.
 - Establish a safe and appropriate management system for technologies and know-how.
 - Create new markets through collaboration with other businesses.

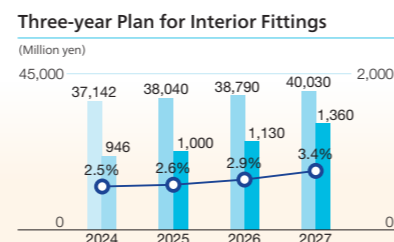
Interior Fittings

Tasks

- Increase recognition of the SUMINOE brand.
- Implement strategies to recover sales of household products.

Strategies and policy

- Taking pride in being an industry pioneer, we will work to enhance the profitability of existing businesses and create new value.
- Discover new demand and differentiate ourselves from other companies.
 - Actively expand market into mid- to high-end zones.
 - Strengthen sales by improving logistics efficiency in response to market changes.
 - Create synergy with the space design business.



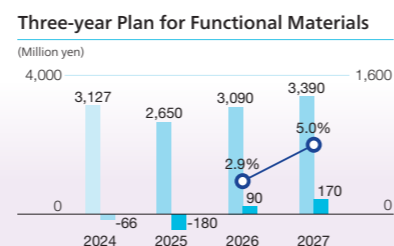
Functional Materials

Tasks

- Expand from existing businesses and product categories.
- Effective use of human resources and production facilities at our Vietnam base.

Strategies and policy

- As a source of technology to be deployed throughout the Company, we will work to develop new functions such as smart textiles and foster new growth businesses.
- Promote product development in response to social issues and market needs.
 - Reinforce development in new areas for the next generation, such as smart textiles.
 - Optimize operations at the Vietnam base through collaboration with other businesses.
 - Develop applications of our unique materials and processing technologies and expand the scope of applications to other fields.



Consolidated income and expenditure plan

SGW SUMINOE GROUP WAY 2022-2024-2027 (Million yen/FY ending May 31)

	2024	2025	2026	2027	STEP I and STEP II comparison of final year	
					(%)	(Amount)
Net sales	103,478	105,300	106,000	109,000	+5.3%	+5,521
Operating income	3,300	3,300	4,200	5,000	+51.5%	+1,699
Operating margin	3.2%	3.1%	4.0%	4.6%		
Ordinary income	3,668	3,400	4,200	5,000	+36.3%	+1,331
Profit attributable to owners of parent	874	1,500	2,100	2,600	+197.3%	+1,725
Exchange rate Yen to 1 USD	145.31	144.00	131.00	125.00		

Net sales by base

(Million yen/FY ending May 31)

	2024	2025	2026	2027	STEP I and STEP II comparison of final year	
					(%)	(Amount)
Net sales	103,478	105,300	106,000	109,000	+5.3%	+5,521
Japan	67,793	68,900	71,100	73,000	+7.7%	+5,207
North and Central America	18,469	18,700	17,300	18,700	+1.2%	+230
China	8,098	8,000	7,800	7,900	-2.5%	-198
Asia	9,116	9,700	9,800	9,400	+3.1%	+282

Action to implement management that is conscious of cost of capital and stock price *For details, see p.35.

Analysis of current situation

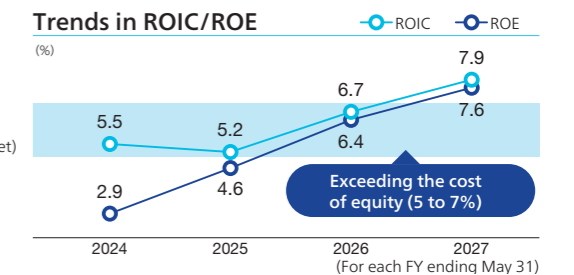
Cost of equity 5 to 7%
Calculation... Calculated using CAPM, risk-free rate (approx. 1.0%) + beta value x market risk premium (approx. 6.0%)
The risk-free rate is based on domestic long-term interest rates, and the beta value is calculated in-house.

ROE 2.9% (FY2024 results)
PBR 0.5 times (FY2024 results)

ROE continues to remain below cost of capital, and PBR continues to be below 1 times.

Policy

ROE 8.0% (FY2027 target)
ROIC 8.0% (FY2027 target)
PBR 1.0 times (FY2027 target)
WACC 4.0% (FY2027 target)
Dividend payout ratio 38% (From FY2025)

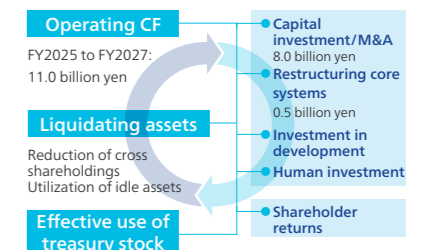


Initiatives to improve ROIC/ROE

- Improving profitability
- Effective use of assets
- Use of financial leverage

- Improving profitability: Increase profits in North and Central America; Improve profitability of Interior Fittings segment; Adjust cash and deposits and borrowings to appropriate levels.
- Effective use of assets: Optimization of inventory; Utilization of fixed assets; Utilization of internal reserves.
- Use of financial leverage: Management with inventory turnover; Improving utilization rate of production facilities; Returns to shareholders and investment in human capital.

Cash allocation



Policy on shareholder returns

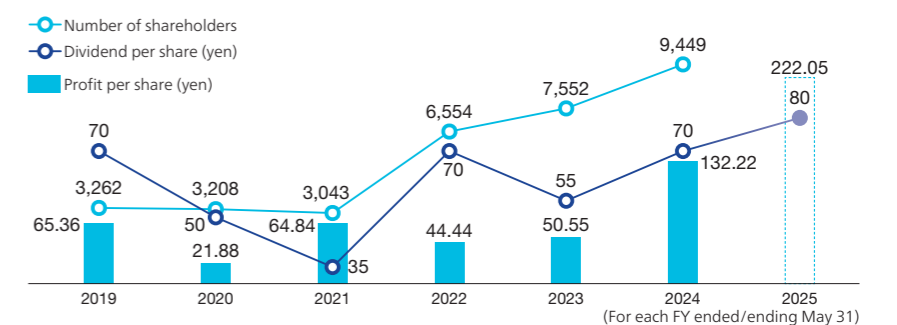
We believe that returning profits to shareholders is an important management issue. We will continue to ensure stable dividend payment and properly allocate the surplus, taking into consideration the trends in business performance.

Stable shareholder returns

- Dividends are basically paid twice a year, as interim and year-end dividends.
- Except in unforeseen circumstances, such as a sudden deterioration in the business environment, dividends will be maintained at a minimum of 70 yen per share.

Continuous expansion of returns

- The payout ratio will be raised from 33% to 38%. We aim at an annual dividend of 140 yen for FY2027.
- We will continue to offer a shareholder special benefit plan that includes our own products.



Identifying Materiality

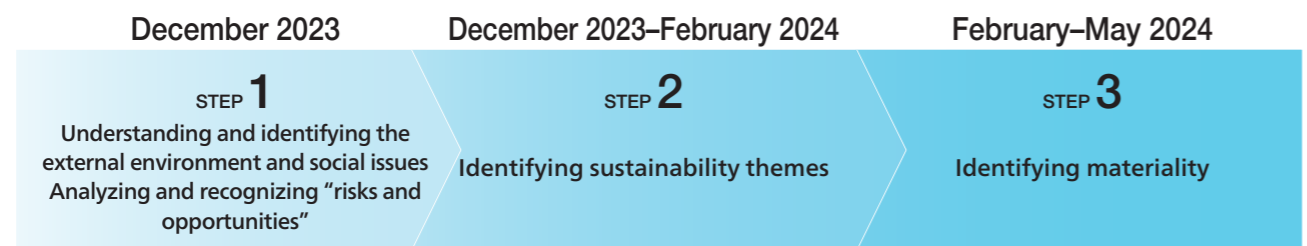
In the Medium- to Long-term Management Targets “SUMINOE GROUP WAY 2022-2024-2027” (hereinafter SGW), the SUMINOE GROUP identified its five key sustainability issues. Amid the increasing importance of sustainability in corporate activities, in June 2024, we identified six materiality issues, in line with the Basic Policy on Sustainability and Related Policies

(formulated in 2022), and the SUMINOE GROUP Philosophy (formulated in 2023). The objective was to create medium- and long-term value taking by considering both the importance for stakeholders and the importance for the Company’s long-term business activities.

Selection of members in charge of materiality identification

To conduct the identification procedures, we organized the general committee and subcommittees on materiality identification. The general committee consisted of 14 members selected from respective departments of the Company. The subcommittees comprised representatives of Headquarters & Administration Headquarters, division managers of respective business headquarters, and relevant managers, with the CSR Promotion Department serving as the secretariat. At meetings of the general committee and subcommittee, members worked on materiality identification while seeking advice from experts.

Materiality identification process



STEP 1 Understanding and identifying the external environment and social issues (CSR Promotion Department)

After understanding and identifying the external environment and social issues in September 2023, the CSR Promotion Department analyzed the “risks and opportunities” for materiality identification.

STEP 2 Identifying sustainability themes (General committee on materiality identification)

Stakeholder engagement was implemented from the two perspectives: ❶ the Group’s business model sustainability, individuality and originality, which is required by investors, and ❷ ESG issues. We then identified sustainability themes that led to materiality identification.

- Sustainability, individuality and originality were categorized into → “Materiality for profitability enhancement through business” → “Value creation/Revenue opportunities”
- ESG issues were categorized into → “Materiality for business foundation” → “ESG”

STEP 3 Identifying materiality (General committee and subcommittees on materiality identification)

At the general committee meetings, after sharing the Group’s risks and opportunities, members identified and shared the themes regarding stakeholder engagement. These themes were analyzed and evaluated based on the two axes: degree of importance for stakeholders and degree of importance for the Company’s long-term business activities. By classifying them into the six categories mentioned below, members identified materiality.

● Main contents in materiality identification

- 1 Provision of valuable products and services**
Importance of marketing, intellectual property initiatives, integration of core technologies, creation of new product lines, space design business, disseminating brand information through social media, development and culmination of traditions and techniques, development of mono-material products, long-life products and recycling-oriented products, and creation of environmentally friendly technologies and products
- 2 Preservation of the global environment**
Development of internal systems to address environmental issues, initiatives to reduce CO₂ emissions, calculation of Scope 3 emissions, plans for reducing energy consumption and for introducing renewable energies, strengthening of environmental education, identification of issues through CDP responses, and information disclosure in accordance with the TCFD recommendations
- 3 Human resources strategy**
Respect for human rights, promotion of women’s participation, human resources development, strategic human resources management, reform of human resources management and evaluation systems, penetration of the Group’s Philosophy, strengthening communication between departments, improvement of engagement, and promotion of work style reform
- 4 Product safety and quality**
Development of internal systems regarding product and safety, human resources education regarding quality, and reinforcement of quality-related internal audit
- 5 Sustainable procurement**
Sustainable procurement initiatives and methods of continuous implementation
- 6 Enhancement of governance**
Responses to the Corporate Governance Code, initiatives to address issues identified through the questionnaire survey regarding the effectiveness of the Board of Directors, the way of planning for succession, prevention of serious incidents, and cyber security measures



Regarding the identified six materiality issues, members having knowledge of each theme were selected to exchange opinions from a medium- and long-term perspective, so that themes and targets were formulated (see pp. 17–18).

Meetings of the materiality subcommittees were also attended by members from departments that were not related to the respective themes. Meeting participants held meaningful discussions on matters other than materiality identification, including internal issues and establishment of organizational systems and structures in their companies, from a sustainable viewpoint.

As for the results of initiatives to address the key sustainability issues in the SGW challenges in fiscal year ended May 2024, please tap the following link: [Initiatives for ESG | Sustainability | CSR | SUMINOE Co., Ltd.](#)

Category	Materiality (Key Issues)	Themes	Targets
Value creation/ Revenue opportunities	Improve the social value of the SUMINOE brand through innovation. Provision of valuable products and services	● Pursuit of design, texture and functionality to provide a comfortable environment in any space	· Develop functional products that meet social needs, products that are beneficial for health, and high added-value products. · Promote space proposal business./Strengthen the SUMINOE brand.
		● Inheritance and development of traditions and techniques	· Inherit traditions and techniques while creating new value. · Continue our business beyond the 150th year anniversary and into the future.
		● Development, manufacture and sales of environmentally-friendly products	· Reduce CO ₂ emissions throughout the product life cycle. · Contribute to a recycling-based society./Create environmentally friendly products through new technology development.
E (Environment)	Under our fundamental development philosophy "KKR+A (Kenko [Health], Kankyo [Environment], Recycling and Amenity)" and "Environmental Declaration," we will promote the concept of "harmony with the earth." Preservation of the global environment	● Response to climate change issues	· Reduce greenhouse gas emissions in business activities.
		● Energy-saving and highly efficient production	· Reduce energy consumption./Use renewable energy.
		● Efficient use of resources/reduction of waste	· Promote the 3Rs (reduce, reuse, recycle).
		● Reinforcement of the environmental management system	· Establish an internal management system for the environment. · Enhance awareness and penetration of environmental issues among employees.
		● Biodiversity conservation	· Implement business activities that consider biodiversity.
S (Society)	We will create an organizational culture where diverse human resources can work with motivation and thrive in a safe, secure environment. Human resources strategy	● Respect for human rights and diversity & inclusion	· Respect human rights and prevent of all forms of harassment. · Ensure fair and non-discriminatory treatment in all aspects of employment./Create a corporate culture that embraces diversity.
		● Human resource development and utilization	· Develop next-generation leaders, global human resources, and digital transformation personnel./Ensure optimal allocation of personnel within the Group. · Revitalize human resources through optimal personnel allocation and ideal evaluation systems that meet changes in society.
		● Penetration of the Group's philosophy, and creation of rewarding working environment	· Enhance awareness and penetration of the Group's philosophy and management policy using internal branding strategies. · Improve the Group's overall strength through inter-departmental communication./Enhance employee engagement.
		● Occupational safety and health/Health and productivity management	· Prevent workplace accidents./Maintain employee health.
		● Work style reform/work-life balance	· Improve employee well-being and productivity by supporting flexible working styles.
	Produce and sell quality products and contribute to the improvement of society. Product safety and quality	● Product safety and quality management	· Comply with laws and regulations and fulfill supplier's responsibility./Improve product safety and quality./Comply with our own quality standards and customer requirements. · Conduct appropriate management of chemicals and hazardous substances./Provide safety information about products and services.
	We will work with suppliers to help build a sustainable society. Sustainable procurement	● Supply chain management	· Achieve sustainable procurement.
G (Governance)	We will build a foundation of corporate trust by ensuring transparency. Enhancement of governance	● Improvement of corporate governance	· Implement highly effective corporate governance.
		● Thorough compliance and prevention of unfair competition and corruption	· Implement corporate activities with an emphasis on compliance./Establish group governance.
		● Reinforcement of risk management and promotion of business continuity planning (BCP)	· Identify, analyze and assess risks, take measures to mitigate them, and thereby improve resilience. · Prevent disasters and accidents./Prepare BCP for events such as a disaster or pandemic.
		● Reinforcement of information security	· Properly protect and manage information assets as important assets.
		● Appropriate information disclosure and stakeholder engagement	· Disclose the Company's financial and non-financial information in a timely manner in accordance with laws, regulations and rules. · Promote understanding of corporate value through dialogue with shareholders and investors.

* Measures and indexes regarding materiality targets are currently under development

Value Creation Process

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

