



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 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 the deliberations are reported to the Executive Committee/CSR & Internal Control Council and then approved 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 and address these issues through its business operations based on the international standards and norms. With this recognition, we have established the Basic Policy on Sustainability and Related Policies as guidelines for 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.

Sustainability-Related Policies

The Sustainability-Related Policies were formulated as subordinate policies to the Basic Policy on Sustainability. For more details, please tap the following link: [Sustainability | Sustainability | CSR | SUMINOE Co., Ltd.](#)

Framework of the Basic Policy on Sustainability and Related Policies



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.

Two Sustainability-Related Policies Formulated in FY2024 and Initiatives in line with These Policies

1 Sustainable procurement initiatives

SUMINOE GROUP Basic Policy on Sustainable Procurement

In order to help realize a sustainable society, the SUMINOE GROUP will promote, in its procurement activities, sustainable procurement that not only considers quality, price, delivery time, service, and technological development capabilities, but also takes into consideration social responsibilities in ESG aspects (E: environment, S: social, and G: governance).

- 1) We will strive for partnership.
- 2) We will conduct fair and impartial transactions
- 3) Human rights, labor, safety and health, and compliance
- 4) Environment

Through responsible procurement activities, the SUMINOE GROUP will work together with suppliers to contribute to the creation and development of a sustainable society. By taking on this challenge, we hope that both the Group and its suppliers will improve their corporate value. Based on this idea, in June 2024, we formulated the SUMINOE GROUP Basic Policy on Sustainable Procurement and the SUMINOE GROUP Sustainable Procurement Guidelines (first edition). In FY2025, these policies and guidelines will be distributed and disseminated to suppliers.

Supplier Code of Conduct

1. Human rights and labor
2. Occupational health and safety
3. Environment 4. Compliance
5. Safety and quality of products and services
6. Coexistence with the local community

Process of formulating the Sustainable Procurement Guidelines

Step	Descriptions
STEP 1	The CSR Promotion Department created the gist by referring to international norms, among others.
STEP 2	Opinion exchanges with consulting firms (several times)
STEP 3	Conferences held with procurement personnel in each department (three times)
STEP 4	Deliberations at the CSR Promotion Committee meetings
STEP 5	Deliberations at meetings of the Executive Committee/CSR & Internal Control Council
STEP 6	Resolved at the meeting of the Board of Directors

(March 2023–May 2024)

Initiatives for respecting human rights

We are currently promoting human rights due diligence (hereinafter "HRDD") initiatives in accordance with the SUMINOE GROUP Human Rights Policy. HRDD is a continuous process to enhance the effectiveness of initiatives for respecting human rights. The process involves identifying the possible risks of human rights violations associated with business activities, taking measures to prevent and resolve these risks, and verifying the effectiveness of these measures. In FY2025, we plan to conduct a questionnaire survey of suppliers as well as concerned parties within the Company. The purpose is to understand the actual conditions inside and outside the Company regarding the identification of human rights risks that the Group should address and regarding the initiatives for respecting human rights to be undertaken in implementing sustainable procurement.

2 Product safety and quality

The SUMINOE GROUP believes that it is our corporate responsibility to improve customer satisfaction and contribute to society by providing safe and secure quality products and services.

To ensure that each and every employee properly understands the "product safety and quality" and actively implements safety and quality measures, we have formulated the Basic Policy on Product Safety and Quality. Under this policy, we aim to establish and operate safety assurance and quality control systems.

Basic Policy on Product Safety and Quality

The SUMINOE GROUP aims to produce and sell quality products and thereby contribute to the improvement of society. In order to provide safe and reliable quality products and services that meet market needs and help our customers live healthy and fulfilling lives, we will utilize the manufacturing strengths we have cultivated since our founding to manage safety and quality throughout the entire product lifecycle and thereby maintain and improve quality.

Activity Guidelines

1. We will fulfill our responsibilities as a supplier by designing, manufacturing, and selling products that meet the safety standards set forth by laws and regulations and ensure sufficient product safety.
2. We will comply with laws and regulations applicable to the quality of our products and services, as well as our own quality standards and customer requirements.
3. We will provide customers and consumers with accurate and clear information about our products and services.

About Initiatives

- Construction of quality management system
We have obtained and maintained ISO9001 series certification (for major domestic production sites) and IATF 16949* certification (for overseas production sites). We have obtained and maintained ISO/IEC 17025, an international certification for testing operations.
* IATF 16949 is an international quality management system for the automotive industry.
- Management of chemicals and hazardous substances
We have established the "SUMINOE GROUP Green Procurement Guidelines" to identify chemicals and hazardous substances that may pollute the environment and manage them safely.

E Environment

Under the Slogan of KKR+A

As an industry pioneer, the SUMINOE GROUP has pushed forward 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, guided by its fundamental development philosophy, "KKR+A," the Group has focused on researching and developing technologies and products that are environmentally and people-friendly, while promoting interior environment improvements and the use 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 Suminoe Textile Group's "Second SUMINOE Environmental Declaration – Under the Slogan of KKR+A," which aims to ensure that our products will be used by many more people and to promote "KKR+A" around the world through the implementation of global strategies. The entire SUMINOE GROUP will make concerted efforts to achieve 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 – Under the Slogan of KKR+A

<p>1 We shall provide healthy and environmentally friendly products.</p> <p>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.</p>	<p>3 We shall address the circulating society.</p> <p>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.</p>
<p>2 We shall work to prevent global warming.</p> <p>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.</p>	<p>4 We shall promote the reduction of CO₂ emissions.</p> <p>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.</p>

Environmental Activity Guidelines

- 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.
- 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 attempt to maintain an internal system to promote environmental protection and enhance the environmental consciousness of all employees.

Resources for the Future—Initiatives to Realize a Circular Economy through Our Products

Upholding the realization of a circular economy* as part of the value that we offer, the SUMINOE GROUP has for a long time been working on manufacturing based on the concept of resource circulation. In response to the ever-increasing environmental awareness among the general public, we have been promoting the sales expansion of recycling-oriented products developed to embody the "KKR+A" philosophy. Chief among them are the ECOS® series, eco-friendly carpet tiles under the horizontal recycling system, which features a high recycled material ratio and a high rate of avoided CO₂ emissions, and スミトロン® (SUMITRON), which is a continuous fiber made from recycled PET bottles.

* Circular economy: This economic activity aims to create a sustainable society by circulating resources to reduce waste and contamination.

ECOS® series, eco-friendly carpet tiles under the horizontal recycling system

ECOS® is produced under the "ECOS® Recycle System" for the horizontal recycling of used carpet tiles. Specifically, used carpet tiles, which were previously dumped in landfills, were collected and recycled into the backing of new carpet tiles using the chipped PVC resin produced from the backing of the collected carpet tiles. Since its launch in 2011, we have expanded the ECOS® product line while improving the recycled material ratio^{*1} and the rate of avoided CO₂ emissions^{*2}. In 2022, the ECOS® LX series achieved a recycled material ratio of 72% and an avoided CO₂ emission rate of 49%.

In 2020, we abolished the dyeing process by changing the pile yarn used in all the carpet tile products to solution-dyed yarn. As a result, we succeeded in significantly reducing the environmental impacts of water usage, electricity usage, and wastewater produced during production.

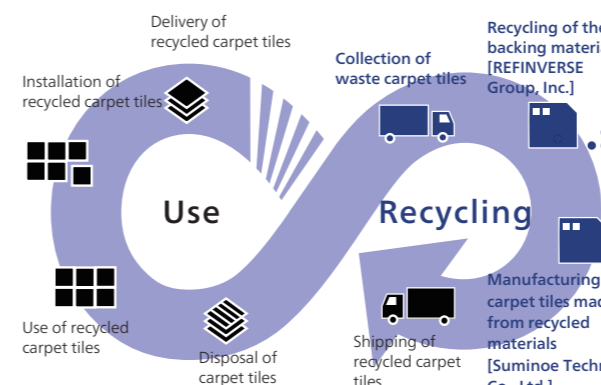
Furthermore, in 2023, we launched the ECOS NEO™ series. By using recycled materials (recycled nylon yarn) not only on the backing but also on the pile surface, ECOS NEO™ EX has achieved a recycled material ratio of 81% and an avoided CO₂ emissions rate of 61%, both of which are at the highest level in Japan.

The concept of ECOS®, which has attained a high recycled material ratio and a high rate of avoided CO₂ emissions, has been highly regarded in the market. In 2023, the ECOS® series was adopted for a large-scale project in the metropolitan Tokyo area. In FY2024, it was also employed in numerous buildings, primarily in the metropolitan Tokyo area.

*1 Recycled material ratio: The mass ratio of the recycled materials used in a product to the entire product.

*2 Rate of avoided CO₂ emissions: The value of comparing CO₂ emissions per the same area between ECOS® and a product that does not use recycled materials. For CO₂ emissions, we use the Company's LCA values (LCA stands for Life Cycle Assessment). LCA is a method of quantitatively evaluating the entire product life cycle, including the procurement of raw materials, product production, distribution, use, disposal, and recycling of products. The impact on global warming is assessed based on CO₂ emissions.

Horizontal recycling system (ECOS® Recycle System)



Recycled material ratio at the industry's top level

All the ECOS® series products achieved a high recycled material ratio and a high rate of avoided CO₂ emissions.

	Recycled material ratio	Rate of avoided CO ₂ emissions
ECOS® LX series	72%	49%
ECOS® iD series	70%	49%
ECOS® LP series	69%	47%

ECOS NEO™, whose recycled material ratio and rate of avoided CO₂ emissions are among the highest in Japan

Using recycled nylon yarn on the surface piles
Using materials recycled from used carpet tiles on the backing

81% Recycled material ratio
61% Rate of avoided CO₂ emissions

* ECOS NEO™ EX

スミトロン® (SUMITRON) continuous fiber made of recycled polyester

The development of スミトロン® (SUMITRON) began with the objective of creating an "eco-friendly yarn" to enable the in-house manufacturing of pile materials, which are the most important components of carpets. In 1989, it was born as a continuous fiber that was recycled from PET bottles. Since then, スミトロン® (SUMITRON) has been used as a material for interior carpets, mainly for household and contract use. As global environmental protection is becoming a pressing issue for people around the world, market expectations for the environmental capabilities of the SUMINOE GROUP are increasing. In addition to being made through the recycling of used PET bottles, スミトロン® (SUMITRON) is a solution-dyed yarn, which is produced without discharging the dyeing wastewater and has resistance to discoloration caused by friction. For these features, スミトロン® (SUMITRON) has attracted attention, leading to its adoption as a car seat covering material. Thus, the product expands the scope of its possible applications beyond interior use.

E Environment

Initiatives to Address Climate Change Issues

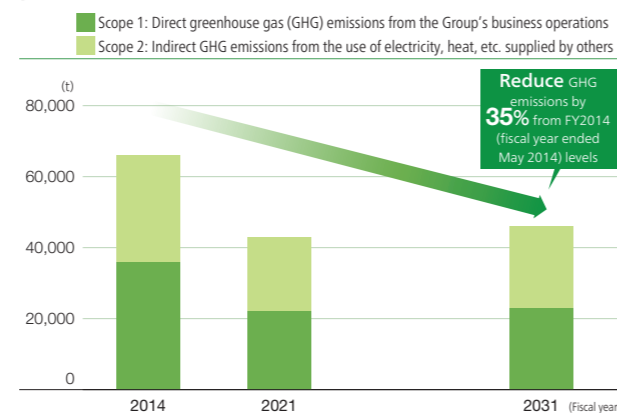
Target for reducing greenhouse gas emissions

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.

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



* 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.

Initiatives to reduce greenhouse gas emissions from business activities

In the fiscal year ended May 2022, the Group completed energy conversion at overseas and domestic bases and reorganized the Nara and Shiga Factories of Suminoe Techno Co., Ltd., resulting in improved production and logistics efficiency. In the fiscal year ended May 2023, we introduced photovoltaic power generation systems into the T.C.H. Suminoe Co., Ltd., an overseas production site, which is promoting the use of renewable energy. In this way, initiatives are underway to reduce greenhouse gas emissions from our business activities.

Calculation of GHG emissions (Scope 3)

In July 2023, we started the calculation of Scope 3 GHG emissions from six major Group companies in Japan (Suminoe Textile Co., Ltd., Suminoe Teijin Techno Co., Ltd., SUMINOE Co., Ltd., RUNON CO., LTD., Suminoe Techno Co., Ltd., and Suminoe Logistics Co., Ltd.)

As a result of the calculation for FY2024, annual Scope 3 emissions amounted to 455,000 tonnes of CO₂, with category 1 emissions accounting for 74.7%.

We plan to include data on two Japanese companies (Owari Seisen Co., Ltd. and Teijin Teclath Ltd.) in the calculation in FY2025 and then add overseas Group companies in FY2026. In doing so, we will continue to calculate Scope 3 GHG emissions.

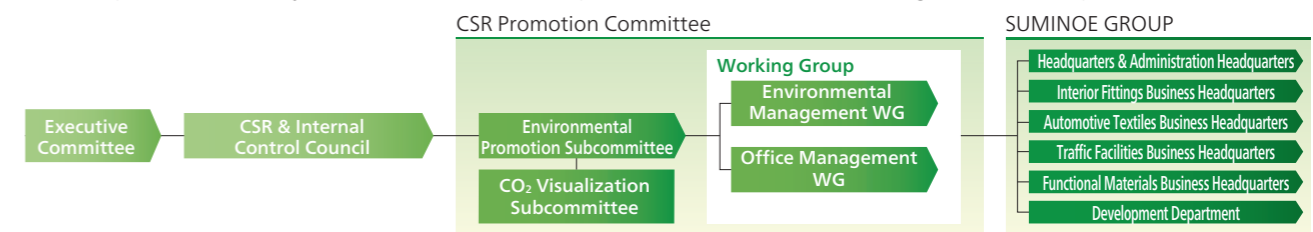
Introduction of Environmental Management System

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 and one overseas have obtained ISO 14001 certification, and one factory Eco Action 21 certification.

	ISO14001: 2015				Eco Action 21: 2017
	Nara Factory, Shiga Factory	Teijin Teclath Ltd.	Owari Seisen Co., Ltd. Head Office Factory, Ishikawa Factory	T.C.H. Suminoe Co., Ltd.	TANGO TEXTILE Co., Ltd.
Screening and registration agency	Japanese Standards Association	Japan Quality Assurance Organization	Japan Quality Assurance Organization	TÜV NORD CERT GmbH	Institute for Promoting Sustainable Societies
Registration number	JSAE 235	JQA-EM1519	JQA-EM3114	44 104 24 80 0060	0009522
Registration date	May 2000	April 2001	March 2003	July 2006	July 2013
Registration renewal	8th renewal completed (May 2024)	7th renewal completed (April 2022)	7th renewal completed (July 2023)	6th renewal completed (October 2024)	5th renewal completed (July 2023)

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.



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, formed within the CSR Promotion Committee, which comprises representatives from respective business headquarters and departments, develops 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. Matters deliberated and decided by the CSR Promotion Committee are reported to the Executive Committee/CSR & Internal Control Council for approval.
- We have formulated "Eco Challenge," as a set of goals for 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 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 Strategies

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

The Environmental Promotion Subcommittee plays a central role in identifying and evaluating climate change-related risks and opportunities, formulating policies and strategies to minimize risks and seize opportunities, and managing 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 (per unit of sales) resulting from business activities by 3% from the levels of FY2021.
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.

Regarding Scope 3, for FY2024, we started calculating emissions from six major Japanese Group companies* as the first step. In FY2025, data from two companies* will be added to the calculation. After determining the actual conditions of Scope 3 emissions from the Group, we will discuss specific measures.

* Please refer to the section "Calculation of GHG emissions (Scope 3)" on p. 41.

E Environment

Eco Challenge 2024

Business activities undertaken by the SUMINOE GROUP are closely linked to the environment throughout the entire lifecycle of our products, including product development and design, material procurement, production, sales, distribution, consumption, disposal, and recycling.

For this reason, the Group is working on assessing and reducing the impact on the environment of all our business activities. In particular, we are committed to manufacturing environmentally friendly products. One example is the active use of recycled materials, including polyvinyl chloride powder from used carpet tiles and raw cotton and polyester pellets from PET bottles. Concurrently, Group-wide efforts are underway to achieve the goals set under Eco Challenge 2024.

Activity Goals of Eco Challenge 2024 and Results for FY2024

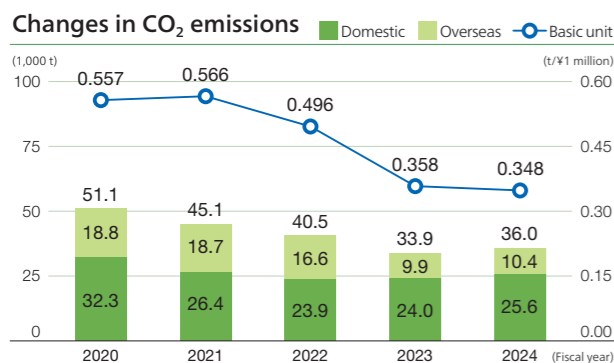
	Work areas	Indicator	FY2024 final numerical targets	Base FY	FY2024 results	Evaluation
1	Prevention of global warming	Reduction of CO ₂ emissions (energy consumption)	Reduce by 3% (basic unit).	2021	Reduced by 38.5% (basic unit).	○
2	Resources conservation	Increase in utilization rate of recycled resources (major factories in Japan ^{*1})	Increase by 3%.	2021	Increased by 31.4 %.	○
3	3Rs regarding waste material	Reduction of industrial waste	Reduce by 3% (basic unit).	2021	Reduced by 28.4%.	○
		Increase in recycling rate	65% or more	—	45.0%	△
		Reduction in rate of waste disposed of in landfills	10% or less	—	38.6%	△
4	Prevention of environmental pollution	Reduction of air pollution (reduction of N ₂ O emissions)	Reduce by 3% (basic unit).	2021	Reduced by 25.5% (basic unit).	○
5	Promotion of green activities	Increase in green purchasing rate for office supplies (in Japan)	95% or more	—	87.6%	△
6	Promotion of LCA assessment for products ^{*2}		Perform LCA for 18 items.	—	60 items	○
7	Promotion of development of environment-friendly technologies ^{*2}		3 cases	—	2 cases	△
	Promotion of development of environment-friendly products ^{*2}		9 cases	—	8 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 of Suminoe Techno Co., Ltd., Teijin Teclot Ltd., and Head Office Factory and Ishikawa Factory of Owari Seisen Co., Ltd.
^{*2} The figures for targets and results are cumulative totals from FY2022 to FY2024.

Results for FY2024

1 Prevention of global warming

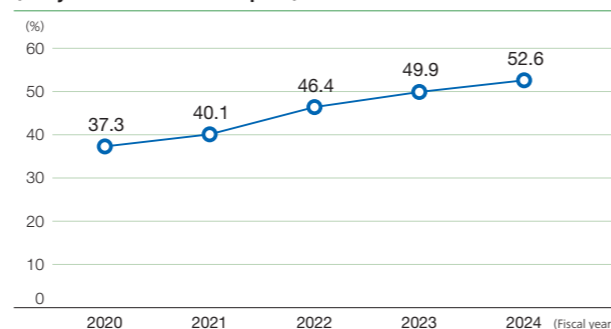
We assess the impact of our corporate activities on global warming based on CO₂ emissions. In FY2024, since the data of seven Group companies in Japan were newly included in the calculation, the total amount of emissions increased. However, we reduced CO₂ emissions in terms of the basic unit.



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)

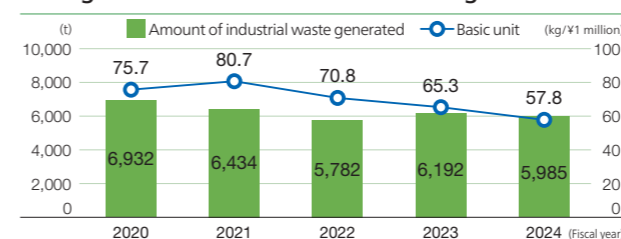


3 3Rs regarding waste materials*

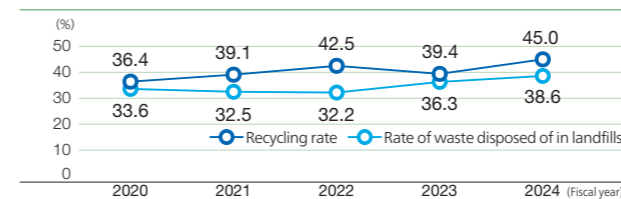
We are striving to reduce industrial waste generation by minimizing unused materials for our products, by not manufacturing products that do not pass quality standards, and by using resources effectively.

* Reduce, reuse, and recycle

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 the atmospheric contaminants, nitrous oxide (N₂O) was used as an example to explain changes in air pollution. In FY2024, since the data of seven Group companies in Japan were newly included in the calculation, the total amount of emissions increased. However, we reduced N₂O emissions in terms of the basic unit.

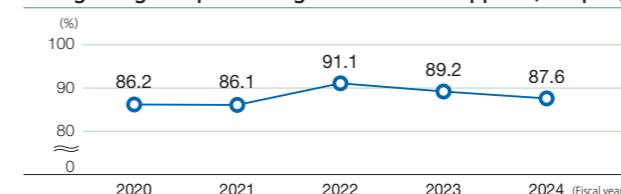
Changes in N₂O emissions



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 2024, we conducted LCA assessments for 60 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

New technologies and products in FY 2024

Promotion of the development of environmentally friendly technologies

“Vguard,” antibacterial and antiviral processing technology

Promotion of development of environment-friendly products

Antibacterial and antiviral carpet tiles

“ECOS® LX-1000V, iD-4000V, and iD-4100V”

8 Promotion of biodiversity preservation in business activities

Activity policy

1. Reducing the impact of business activities on biodiversity

- 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.

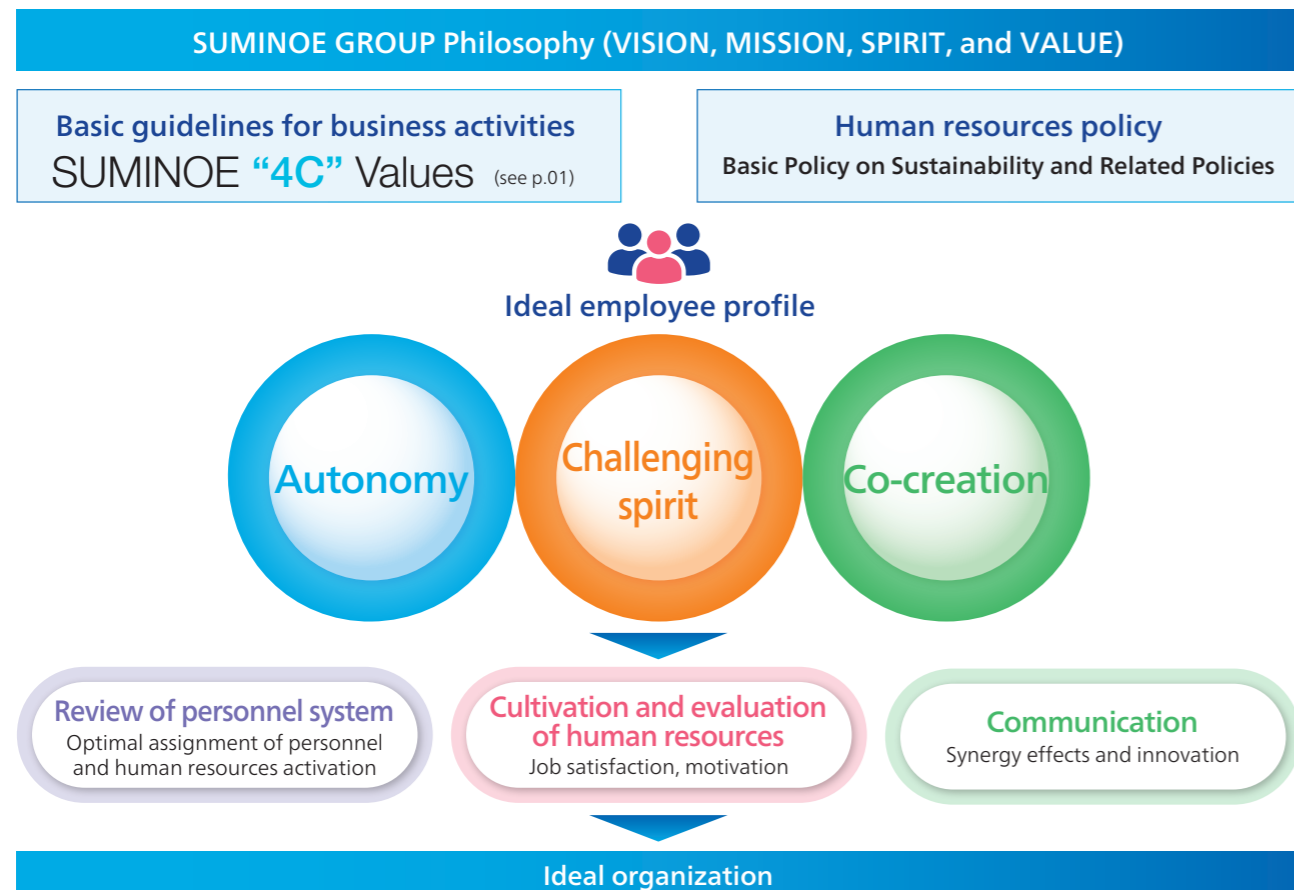
Factory	Activity
Shiga Factory of Suminoe Techno Co., Ltd.	Propagating the Sasayuri lily on the factory premises
Factory at the head office of Owari Seisen Co., Ltd.	Helping protect fireflies as a supporting member of the Ichinomiya Heisei Firefly Association

S Social

Human Capital

The SUMINOE GROUP considers human resources to be the source of sustainable corporate growth and the most important assets. The Group strives to develop human resources with highly professional and creative personalities.

Human resources strategies to create an ideal organization



Ideal employee profile for Suminoe Textile

	Autonomy	Challenging spirit	Co-creation
Overall	Persons who can think by themselves and act autonomously	Persons who can take on higher roles, without fear of changing, from diverse perspectives	Persons who can create new value in collaboration with others, through many dialogues
Young employees	Understand the situation and problems, think by themselves, and act autonomously	Proactively work without fear of failure	Actively communicate with people around them and achieve targets in cooperation with them
Mid-level employees	Take the leadership and promote themselves and others to take action	Look to the future and implement measures to resolve problems without being content with the status quo	Encourage people inside and outside the Company to work together to create better value
Managers	Imagine organizations and jobs from a wide perspective and play a leading role in cooperating with superiors and subordinates	Adopt new ideas and methods with determination without being constrained by the status quo	Communicate with stakeholders inside and outside the Company from a broader perspective and lead the entire organization toward achieving its targets.

Education centered on the ideal employee profile

We have revised the level-based and self-development training programs to ensure that they are aligned with the "ideal employee profile for Suminoe Textile," which was defined in FY2024. In particular, to allow new employees to clearly understand the ideal state in their first year of employment regarding "autonomy," "challenging spirit" and "co-creation," each department has drawn up its education plans, which are used in the systematic on-the-job training (OJT).

As part of our efforts to improve self-development training, we have introduced e-learning through which trainees can view more than 3,000 videos on diverse topics, such as organizational management, leadership, technology, and innovation. In this way, we support employee personal growth.



Initiatives to enhance managers' management capability

Suminoe Textile held training to enhance management capability in January and February 2024, with the participation of 94 managers in Japan.

Enhancing management capability is an important task for a company. With this recognition, the Company offered three training programs on different themes ("How to guide and foster staff members," "Letting staff members exhibit their abilities" and "Improving relationships with staff members"), from which participants selected and received.

Initiatives to promote a career self-declaration system

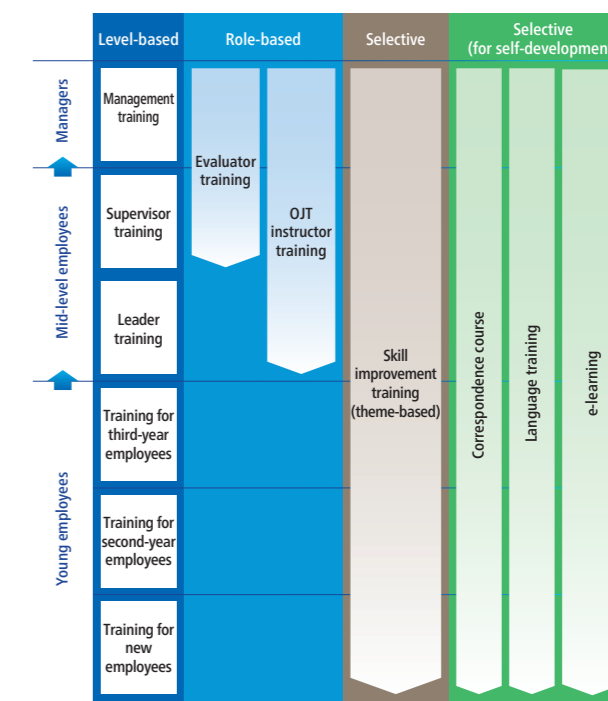
In June 2023, Suminoe Textile introduced a system under which employees can consider their future career path and declare it to the Company. The content of the declaration is effectively used at department managers' human resources development meetings and interviews with employees. This system allows employees to make a career self-declaration annually. We will continue to make effective use of this system to reinforce human capital.

Implementing skill improvement training

To promote the personal growth of all employees, the SUMINOE GROUP implements education and training programs throughout the Group. These programs include level-based and role-based training and skill improvement training on various themes for voluntary participants. In FY2024, skill improvement training programs were conducted on the themes of "Effective use of Excel and PowerPoint," which was designed to help improve work efficiency, and "Presentation skills improvement seminar" aimed at enhancing the presentation skills of employees.

In future, we plan to offer various themes to improve employee skills.

Education system



Number of employees undergoing training

	Total	Male	Female
Level-based, role-based, and skill improvement training	334	240	94
Correspondence courses, language training, and e-learning	122	65	57

Introducing a limited-area employee system

As part of its efforts to promote work-life balance, Suminoe Textile established a system under which employees are exempted from transfers that require residential relocation upon request. The system aims to realize flexible working styles of employees to support them in balancing work and life.

We will continue to strive for balanced human capital development through the revitalization of human resources and the realization of a work environment in which employees can enjoy working with peace of mind.

S Social

Active Participation of Diverse Human Resources

Under the Basic Policy on Diversity and Inclusion formulated in June 2022, the Group promotes the acceptance of the diversity of human resources, respect for individuals, and their participation. Moreover, based on the idea that enhancing diversity will facilitate a company's growth, we focus on creating such a corporate culture.

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 May 31 each year

Item	2023	2024
Number of new graduates hired	Male	21
	Female	20
Ratio of female managers (%) ^{*1}	5.1%	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 chiefs or higher at 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

As of May 31 each year

Company	Item	Numerical targets	2024 results
Suminoe Textile Co., Ltd.	Ratio of new female graduates hired	35% or higher	46.2%
	Ratio of employees taking childcare leave by sex	Male: 25% or higher Female: 100%	88.9% 100%
SUMINOE Co., Ltd.	Ratio of new female graduates hired	40% or higher	60%
	Ratio of employees taking childcare leave by sex	Male: 25% or higher Female: 100%	66.7% 100%
RUNON CO., LTD.	Increase in No. of female managers	Increase one or more	0
	Monthly average overtime hours	Within 40 h	9.1 h
Suminoe Techno Co., Ltd.	Gender difference in length of continuous service	Within 2 years	2 years and 1 month
Suminoe Logistics Co., Ltd.	Ratio of female managers	30% or higher	33.3%
Owari Seisen Co., Ltd.	Monthly average overtime hours	Within 20 h	1.4 h

Topics

Lecture meeting on diversity promotion

(April 2024)

The Group regards "women's participation" as one of its priority areas for promoting diversity. To increase female employees' awareness of their career development, we held a lecture meeting with Ms. Yuko Shibuya, an outside director of the Company who was invited as the lecturer.

In the first half of the meeting, Ms. Shibuya delivered her lecture on the theme "What I want to tell you at the SUMINOE GROUP about women's participation and what I expected of you—To encourage individual employees to envision their future career paths and to enhance their motivation to take on challenges." She discussed her personal history, motivation graph, and real experience in building her career while striking a balance between work and family.

In the latter half, participants asked the lecturer questions, such as "What is worthwhile about your job as a company officer?," "What should be done to instill diversity in a company?," "What is the key to improving motivation?," and "What is the most lacking for the SUMINOE GROUP?" In response to these questions, she expressed her opinions.



Voices of the participants

Ms. Shibuya frankly spoke about how she has developed her career in her lecture. I found it very informative and helpful in thinking about my future career.

Her lecture made me realize that successful business women make constant efforts to self-improve by setting goals by themselves.

I have reaffirmed that human resources are a limited asset and that it is important to respect and utilize diversity to improve productivity and revenue.

Promote the active participation of Senior Employees

In the future, we are projected to face greater challenges regarding the labor shortage due to the declining birthrate and aging population, as well as passing traditional techniques and knowhow to the next generation. It is therefore important to make effective use of Senior Employees (those re-employed after retiring at the mandatory age of 60) in human capital use.

Topics

Conducting a questionnaire survey of Senior Employees

In the fiscal year ended May 2024, Suminoe Textile Co., Ltd. conducted a questionnaire survey of (1) Senior Employees, (2) their superiors, and (3) employees in their late 50s to understand respondents' views about the actual conditions of their work environments, their requests and expectations regarding working styles, what kind of work they wish to do, and their requests for the Company, etc.

To the question "What kind of work styles do you prefer?" the highest number of employees in their late 50s answered "I want to continue actively working on the front lines." The most common answers from Senior Employees were "I want to focus on passing on my knowledge, experiences and techniques to future generations" and "I want to provide support to employees on active duty." The above answers show a marked difference between age groups. As for the question "what kind of work do you want to do?" the greatest number of employees in their late 50s answered "work that I have experienced in my present department." However, 20% of them replied "work of different departments to which I have never belonged so far" and "new projects that involve several departments," indicating their interest in undertaking inexperienced work. We hope that they will maintain such positive attitudes toward challenges in inexperienced fields even after becoming Senior Employees.

Based on the results of the questionnaire survey, we will consider better ways to establish a work environment in which Senior Employees can play more active roles and develop appropriate measures.

Employees of Suminoe Textile Co., Ltd.	Number of respondents	Response rate
(1) Senior Employees	33	87.9%
(2) Superiors of Senior Employees	30	83.3%
(3) Employees in their late 50s	117	80.3%

Initiatives of the Group under the keyword "Tsunagu (lit. connect)"

Tsunagu-wa-cation

To further develop and deploy the Group's products, services and technologies and create social and economic value, it is essential to maximize synergies of the entire SUMINOE GROUP by working together, transcending

the boundaries of individual business segments and Group companies. Based on this idea, we hold exchange meetings (called "Tsunagu-wa-cation") designed for each job category and a combination of different job categories, including sales, design, procurement, and technology development. The objectives of *Tsunagu-wa-cation* events are to allow participants to improve their understanding of the Group and apply the knowledge they have acquired.

In FY2024, "Tsunagu-wa-cation" events were held for sales staff, procurement staff, and the combination of technology development staff and sales development staff. Event participants made presentations and exchanged ideas irrespective of differences between their segments and companies, which deepened their understanding of the SUMINOE GROUP. At the same time, these events provided them with an opportunity to consider the synergetic effects of the Group. As part of Group-wide efforts to achieve further growth, we will continue to hold the exchange meetings described above.

Topics

Tsunagu lecture meeting (backup meeting)

(July 2024)

We launched the "Tsunagu lecture meeting (backup meeting)," at which an internal expert who has a wealth of experience and track record serves as a lecturer to impart his/her skills, expertise, and mindset to younger generations in an interdepartmental and intergenerational manner. At the first *Tsunagu* lecture meeting held on the theme "Points to understand in doing work (development)," a former manager of R&D Center of Suminoe Teijin Techno Co., Ltd., lectured about "the importance of establishing a relationship of trust with customers," "attitudes toward work" and "the moment when I got a clue to my work," and "what you should keep in mind as a developer."



Voices of the participants

I felt a great sense of familiarity hearing his true views firsthand.

He told many interesting stories from the perspective of an expert with many years of development experience, which provided less-experienced developers with an opportunity to become aware of various things. I believe that the lessons learned from him will be an asset for our organization.

S Social

Safe and Secure Work Environment

The SUMINOE GROUP believes that the safety and health of individual employees form a foundation for its business growth. If employees can enjoy working, it will lead to employee happiness as well as the Group's growth as a "good enterprise."

Occupational health and safety

Promoting occupational health and safety initiatives and deliberating 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 FY2024, the rate of lost-worktime injuries was 2.75.

In FY2024, many occupational accidents occurred, particularly those caused by unsafe behaviors during nonroutine work. In response, Suminoe Techno Co., Ltd. started to keep "records on implementing KY (risk prediction) meetings" to confirm the safety measures against possible risks that may arise during the work in advance in writing. These records were shared at the meeting of the Central Health and Safety Subcommittee.

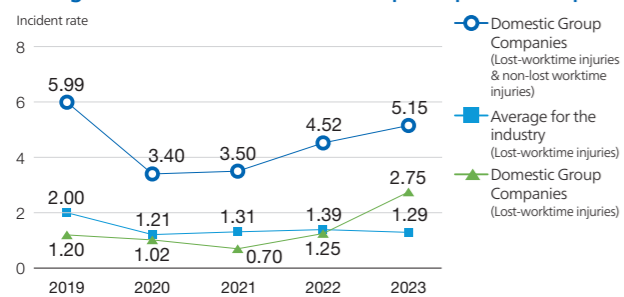
Activities for preventing occupational accidents (Suminoe Techno Co., Ltd.)

As part of its activities to prevent occupational accidents, Suminoe Techno Co., Ltd. conducts hands-on safety training in which employees experience firsthand the dangers of equipment and machinery. In FY2024, the Company conducted training at its Shiga Factory using a simulation system that provided employees with a realistic feeling of an electric shock, overcurrent, and tracking. Many employees believe that firsthand realization of the danger of equipment is effective in raising the safety awareness of operators. For this reason, Suminoe Techno will continue to conduct such trainings.

In FY2025, the Nara and Shiga Factories underwent workplace safety diagnoses by a third-party organization.

Taking advantage of the new perspectives gained from third parties, Suminoe Techno will promote activities to further develop a safe and secure work environment.

Change in the incident rate* of Group companies in Japan

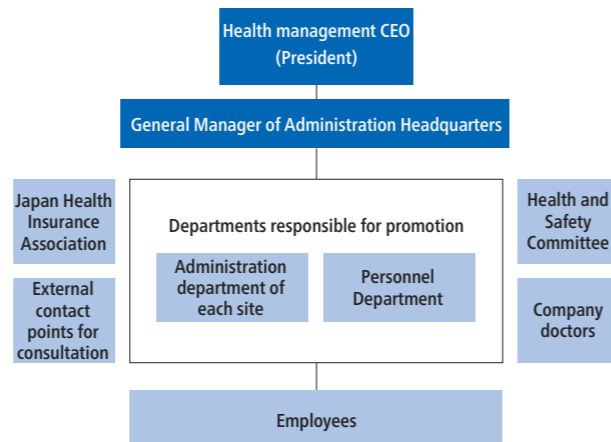


Source: 2023 Workplace Accident Trend Survey, Ministry of Health, Labour and Welfare

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

Health Management

Health promotion system of Suminoe Textile Co., Ltd.



Suminoe Textile conducts health management based on its health promotion system.

Recognition as a "Certified Health & Productivity Management Outstanding Organization"

Based on the concept of the Group's Health Management Declaration, Suminoe Textile is committed to promoting health management. For its achievements, the Company was recognized as one of the "Certified Health & Productivity Management Outstanding Organizations in 2024."



In FY2024, we placed an emphasis on health counseling by Company doctors, who gave advice mainly to employees whose health check results were not good and who worked overtime a lot, in addition to those seeking counseling. Regarding measures against lifestyle-related diseases, we expanded the scope of eligibility to help cover the expenses for cancer examinations, which resulted in more employees taking the examinations. In addition, a total of four health seminars were organized on themes such as "dental health," as part of intensified efforts to raise employee awareness regarding health promotion. The Company will continue initiatives to improve the health awareness of its individual employees.

Work-Life Balance

Enhancing support systems to achieve work-life balance

We strive to enhance the systems for supporting employees to strike a balance between work and childcare/family care. Concurrently, initiatives are underway to create a work environment in which everyone can continue working with peace of mind while using these systems by facilitating the understanding of these systems among people around the system users.

As of May 31 each year

Item/sex		2023	2024
Childcare leave, etc.	Number of employees who took childcare leave	Male	2
		Female	13
	Number of employees who returned to work after childcare leave	Male	2
		Female	12
Number of employees who reduced their working hours	Male	0	
	Female	22	
Number of employees who worked from home	Male	33	
	Female	21	
Family care leave, etc.	Number of employees who took family care leave	Male	0
		Female	0
	Number of employees who reduced their working hours	Male	0
		Female	0
Number of employees who worked from home	Male	4	
	Female	1	

Voices of the system users

Childcare leave, etc.

Throughout my childcare leave, I learned firsthand how hard it is to raise a child, and I developed a greater feeling of thanks to my wife. It was very good for me not only to have time with my child but also to share time with my wife so that I can struggle with and talk about childcare.

Family care leave, etc.

By using the system for reducing work hours, I have postponed the work start time and advanced the work finish time to take my child to and from nursery. I am truly grateful that I can continue to work while cherishing time with my child.

Working style reform action plan 2023

Since FY2024, the Group has implemented the working style reform action plan 2023, as part of its measures to ensure employee well-being (a state of complete physical, mental and social well-being) and improve the performance of employees. Although the targets for the plan's first year were not attained, we will further strengthen and continue these measures to achieve the targets for FY2025.

SUMINOE GROUP working style reform action plan 2023

Indicator	Target	Results for fiscal 2024
1. Number of employees who worked 70 hours overtime a month	0	31
2. Use rate of annual paid leave	70%	63.6%
3. Rate of male employees taking childcare leave	100%	68.4%

Questionnaire Survey on Workplace Comfort (in-house employees' opinion survey) 2024

The Group has set "Create workplaces for employee happiness" as one of its Medium- to Long-term Management Targets. To achieve this target, it is necessary to understand employee engagement and clarify the problems and countermeasures.

The Group implements the Questionnaire Survey on Workplace Comfort every two years as a "fixed-point observation" to assess the progress of CSR activities (concerning the work environment, corporate culture, management, women's participation, and compliance awareness). In January 2024, we conducted a survey of approximately 1,700 people working at domestic Group companies, classified into managers and general employees*. The survey used multiple-choice and essay questions.

The survey results revealed an overall trend toward improved workplace comfort compared to the previous survey. However, these results also revealed some problems that should be addressed. Specifically, we found that both male and female employees were not willing to be promoted to managers, and the index that indicates the level of women's participation remained low. Furthermore, regarding the questions about "treatment regarding promotions, etc.," "evaluation of work results and efforts," and "adequacy of job assignment and personnel positioning," the answer analysis revealed a significant difference in perception between managers and general employees.

In the future, we will consider further developing initiatives to motivate employees to move up into a management position, such as increasing opportunities to exchange with a female manager role model and reviewing personnel and evaluation systems. We will also discuss specific initiatives to address perception differences between managers and general employees.

In this questionnaire survey, we extracted the engagement index, women's participation index, and the index for the perception of corporate hotline announcements. By establishing the next targets on the basis of these indexes, the Group will be able to develop more specific initiatives in the future.

*Managers here refer to those in managerial positions, and general employees refer to regular and contract employees, excluding managers.

Questionnaire survey results and 2026 targets

		2024 results	2026 targets
Engagement index	(Managers)	3.10	3.13
	(General employees)	2.70	2.73
Women's participation index	(Managers)	2.52	2.57
	(General employees)	2.51	2.56
Index of corporate hotline announcements	(Managers)	3.13	3.18
	(General employees)	2.72	2.77

* The above indexes are based on scales up to 4.

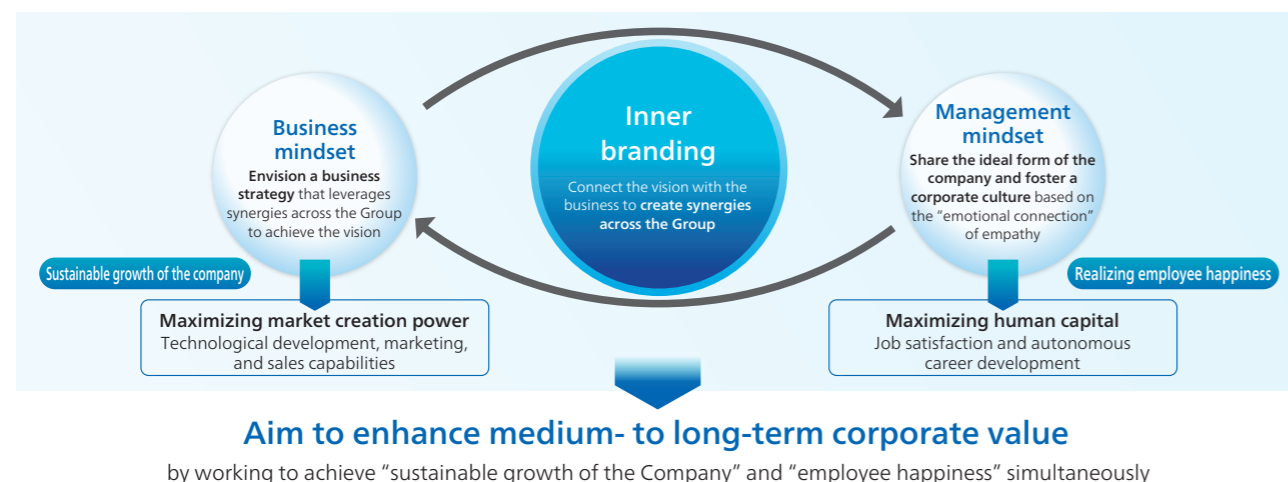
S Social

To Penetrate the SUMINOE GROUP Philosophy

What kind of innovation can we bring to any space to create the future we aim for?

To share this thought throughout the Group, we have been promoting the "Shin Mirai Project" since 2022. In June 2023, we established the SUMINOE GROUP Philosophy.

Conceptual diagram of corporate value enhancement through the Shin Mirai Project



Initiative to penetrate the Group Philosophy ①

"SUMINOE GROUP Philosophy training"

Between October 2023 and February 2024, we offered training to all domestic group employees to promote their understanding and penetration of the SUMINOE GROUP Philosophy and conducted in-person and video training sessions for 1,100 employees at various operation sites.

Training contents

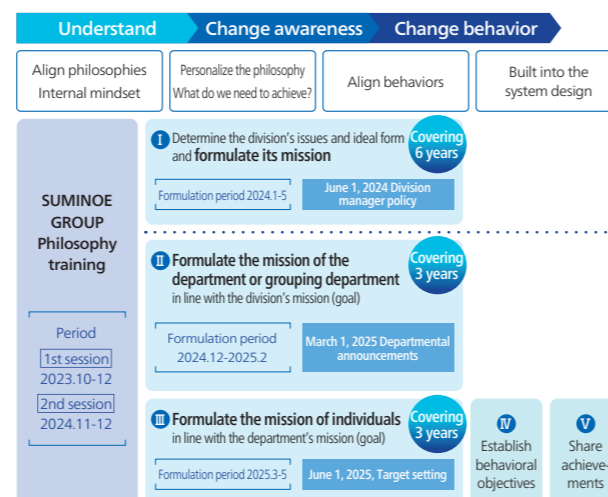
- Message from the President
- Background of promoting branding
- History of the SUMINOE GROUP
- Explanation of the SUMINOE GROUP Philosophy
- Future inner branding



Initiative to penetrate the Group Philosophy ②

Inner branding "establishing behaviors"

We promote inner branding based on curricula to promote understanding of the SUMINOE GROUP Philosophy and change employee awareness and behavior.



Although previous divisional meetings have focused on short- to medium-term business issues, we consider it a major achievement at this stage of our inner branding activities that we have held discussions from a long-term perspective for the first time (①).

Initiative to penetrate the Group Philosophy ③

Formulation of "divisional missions"

A mission was formulated for each division based on what each division can do to achieve the Group Philosophy (①).

The formulation of the mission was carried out in each division based on an "As-is and To-be" analysis.

The next stage is to break down the mission into departments and individuals (②③).

We then set behavioral objectives and share our achievements (④⑤).

Automotive Textiles Business Headquarters

Create textiles that people love and add color to the space where people around the world spend on the move.

Inherit the technology we have cultivated to provide a safe and comfortable space.

Establish new standards for automotive interior textiles using high-quality materials and innovative ideas.

Traffic Facilities Business Headquarters

Continue to provide stable supply with a sense of responsibility as the top manufacturer of interior textiles for railways and buses and the domestic public transportation system.

Aim to supply the products needed by railway and bus users while ensuring stable quality and continuing technology succession.

Functional Materials Business Headquarters

Boldly embrace new business developments and help create new corporate value.

Amid the weakness of conventional businesses caused by changes in market conditions and the business environment, the focus is on the creation of new businesses, which is the role assigned to this division. Doing so leads to the development of not only the division but also the SUMINOE GROUP.

Interior Fittings Business Headquarters

With pride in our tradition, create spaces where people and the environment can thrive in the future.

Take pride in being a division that has created tradition and contribute to society by providing the future form of products and spaces that are friendly to people and the environment.

Development Department

Create a cycle of value creation on a solid production base.

Aim for a cycle in which employees, the company, and technologies grow together by strengthening the foundation for creating technologies and promoting employee growth and happiness, and by creating value through new technology and product development linked to buying motives.

Headquarters and Administration Headquarters

Develop the environment and systems and pursue the sophistication and efficiency of operations to enhance the overall strength of the Group.

Comply with legal obligations and social norms. Increase corporate value and indirectly contribute to profits by addressing Group and sustainability issues with proactive thinking.

Future inner branding

We believe that the SUMINOE GROUP Philosophy permeates the Group when all employees internalize the Group Philosophy, understand the value that the Group provides and its strengths, and have a clear understanding of their individual missions. We believe that this will lead to the realization of the Philosophy. It is necessary to provide continuous training and share achievements at divisional, departmental, and individual levels.

Message

Helping to penetrate the Group Philosophy

Inner branding helps penetrate Group Philosophy and encourages changes in the company and employees.

If a company wants to ask its employees to change their behavior, it must first change itself. To create synergies and innovation within the Group, it is essential to create an environment and build systems. To this end, the Corporate Planning Department and the CSR Promotion Department are currently taking the initiative to communicate the ideal state and materiality (key issues) of the SUMINOE GROUP internally and externally and to activate communication throughout the Group.

Although the SUMINOE GROUP, with its tradition and history, has earned a high level of trust from our customers, I cannot deny the fact that we have a conservative corporate culture. Although we have sufficient ability to achieve results individually (departments and individuals), there are still many issues in terms of working together as one and demonstrating the comprehensive strength of the Group.

I believe that our Group's sustainable growth and corporate value enhancement can only be achieved if every employee personalizes the creation of synergies and innovation within the Group and changes their behavior. We will work on inner branding across the Group to deliver results from a long-term perspective.



Eiichi Shibuya
Group Leader
Promotion Group,
CSR Promotion Department

G Governance

Enhancing Governance

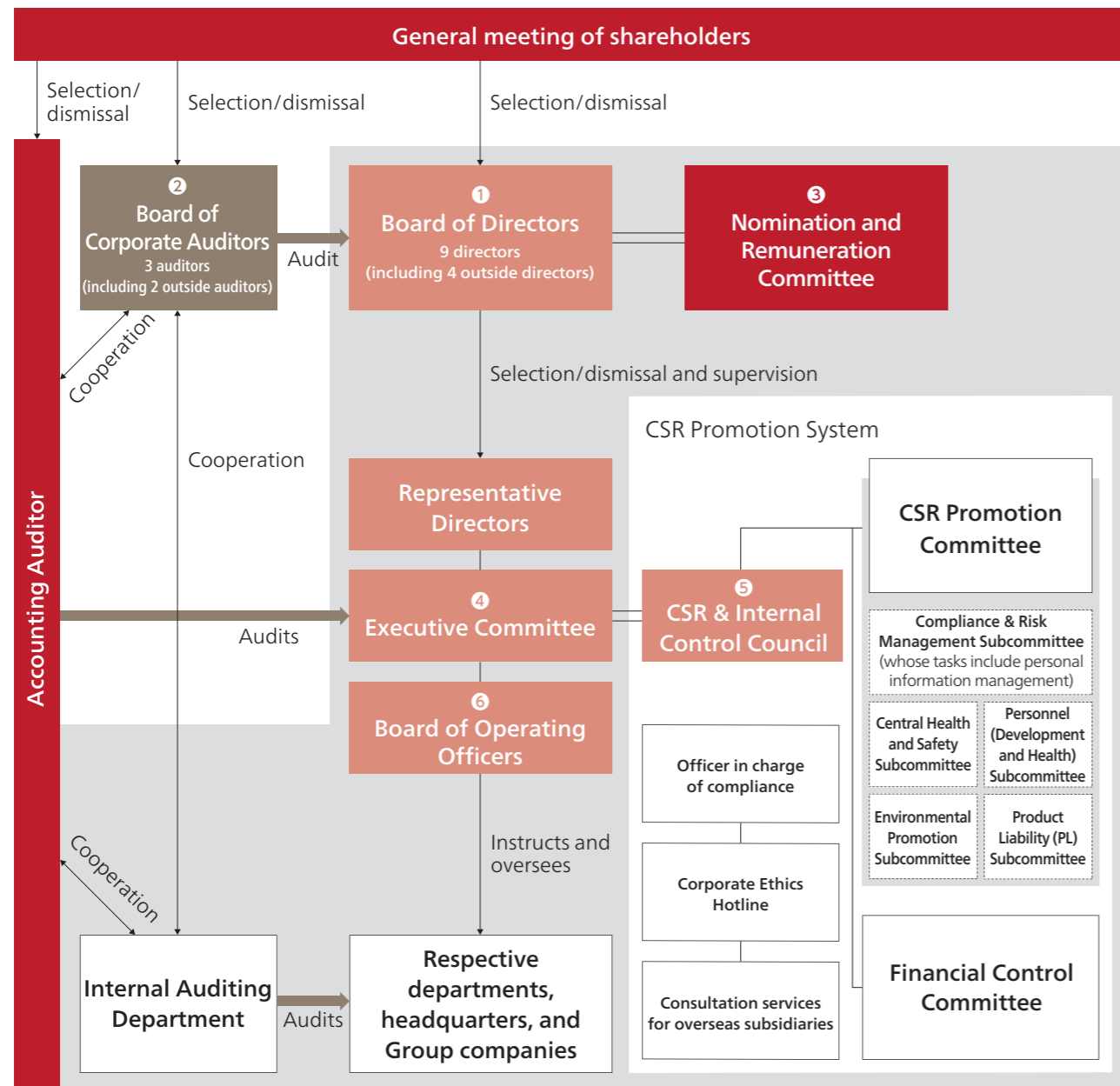
Basic approach

We believe that the purpose of corporate governance is to ensure the soundness and efficiency of management, and we strive to maintain an optimal management system at all times, taking into account all of our stakeholders. As we appoint outside directors and seek to strengthen the

functions of the corporate auditors system in an effort to achieve this, we established a Board of Directors to make quick and flexible management decisions and oversee business execution and a system of operating officers responsible for business execution.

Corporate Governance and CSR Promotion System

As of May 31, 2024



Governance system

1 Board of Directors (No. of meetings held in FY2024: 10)
The Board of Directors, consisting of nine directors (including four outside directors), oversees business execution and makes decisions on important matters. The presence of four outside directors (three of whom are independent outside directors) out of the nine enhances the transparency and objectivity of management as the board oversees business execution and makes strategic decisions.

Main issues discussed in FY2024

- [Matters decided]**
- Evaluation Report on Internal Control over Financial Reporting
 - Basic Internal Control Plan
 - The disposal of treasury shares as directors' remuneration and restricted stock compensation
 - Capital investment in carpets at Suminoe Textile de Mexico, S.A. de C.V.
 - Responses to achieve business management with an awareness of capital cost and share prices

[Matters reported]

- Audit plan and audit report
- Evaluation of the effectiveness of the Board of Directors
- Deliberation on the effectiveness of the Board of Directors
- The filing of the Securities Report (addition of the Sustainability Report)
- The filing of "Progress Based on Plan" for the Tokyo Stock Exchange Prime Market
- SUMINOE GROUP Philosophy training
- Progress report on the identification of materiality (material issues)
- Report on the identification of materiality (material issues)
- Sustainable procurement (basic policy and guidelines)
- IR activities
- Reports on harassment, etc.

Attendance at board meetings

As of May 31, 2024

Title	Name	Attendance at board meetings
President and Representative Director	Teppei Nagata	100% (10/10 times)
Managing Director and Representative Director	Hiroaki Usugi	100% (10/10 times)
Managing Director	Toshiro Maruyama	100% (10/10 times)
Director	Eiichiro Kimura	100% (10/10 times)
Director	Norihisa Murase	100% (10/10 times)
Outside Director	Haruo Shimizu	100% (10/10 times)
Outside Director	Kohei Nomura	100% (10/10 times)
Outside Director	Yumiko Oida	100% (10/10 times)
Outside Director	Yuko Shibuya*1	100% (7/7 times)
Full-time Corporate Auditor	Kiyokazu Ichikawa	100% (10/10 times)
Outside Corporate Auditor	Atsuhiko Sonoda	100% (10/10 times)
Outside Corporate Auditor	Takafumi Katayama	100% (10/10 times)

*1 Appointed in August 2023

2 Board of Corporate Auditors (No. of meetings held in FY2024: 9) Audit system

We are a company with a Board of Corporate Auditors, which consists of three corporate auditors (including two outside corporate auditors) who attend Board of Directors meetings.

The full-time corporate auditor audits directors' business execution by attending important internal meetings such as those of the Executive Committee and the Board of Operating Officers, reviewing important documents, such as approval documents, conducting on-site audits of executive departments, cooperating

with the internal auditing unit (Internal Auditing Department), learning about and exchanging opinions on the audit results from the accounting auditor, and holding regular group auditor liaison meetings of consolidated subsidiaries.

At the meetings of the Board of Corporate Auditors, the full-time corporate auditor reports to the outside corporate auditors on the situation of the Executive Committee, the Board of Operating Officers, and internal audits to share information.

Main topics discussed in FY2024

- Basic audit policy
- Audit plan
- Division of corporate auditor duties
- Priority audit items
- Other matters concerning the execution of corporate auditor duties
- Reappointment, evaluation, and remuneration of accounting auditor
- Sharing information about important meetings

Attendance at Board of Corporate Auditors' meetings

As of May 31, 2024

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

3 Nomination and Remuneration Committee (No. of meetings held in FY2024: 1)

The Nomination and Remuneration Committee has been established 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 directors, thereby further enhancing the corporate governance system.

The committee membership comprises five outside directors selected by resolution of the Representative Directors, independent outside directors, and the Board of Directors. To ensure the independence of the Committee, a majority of the members are outside officers, including independent outside directors.

4 Executive Committee, 5 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. Significant CSR-related matters and the evaluation of internal controls over financial reporting are discussed at meetings of the CSR & Internal Control Council, which is attended by a full-time corporate auditor as an observer.

Main matters discussed by the CSR & Internal Control Council

- Business and human rights
- Sustainable procurement
- Progress report on the identification of materiality (material issues)
- Report on the identification of materiality (material issues)
- Penetration of the SUMINOE GROUP Philosophy
- Actual performance of the 2023 Working Style Reform Action Plan
- Calculation of greenhouse gas emissions
- Eco Challenge 2024 target and performance report
- Other subcommittee reports

6 Board of Operating Officers (No. of meetings held in FY2024: 12)

The Board of Operating Officers, which meets once a month, comprises Executive Committee members and operating officers. It communicates the key policies and decisions of the company, reports on the business of each executive division, and discusses issues.

G Governance

Evaluation of the effectiveness of the Board of Directors

Initiatives to evaluate the effectiveness of the Board of Directors

We analyze and evaluate the effectiveness of the Board of Directors to further improve its effectiveness and fulfill our accountability to stakeholders.

Process for Evaluating the Effectiveness of the Board of Directors

The effectiveness of the Board of Directors was analyzed and evaluated through the following process.

- 1 Prepare a "Questionnaire survey on the effectiveness of the Board of Directors" based on the present conditions of the Group.
- 2 Collect responses to the questionnaire survey from all directors and corporate auditors.
- 3 Compile and analyze the responses and prepare the evaluation results
- 4 Share the evaluation results at the board meetings

Questionnaire survey on the effectiveness of the Board of Directors
We conducted a survey with 25 questions in a multiple-choice format, with each question rated on a 5-point scale. The question topics and average scores are summarized as follows.

Question topic	Average score	
	FY2023	FY2024
1. Roles and functions of the Board of Directors	3.43	3.27
2. The structure and size of the Board of Directors	4.00	4.40
3. Operation of the Board of Directors	4.13	4.02
4. Coordination with auditing bodies	3.65	3.73
5. Relationship with outside directors	3.80	3.67
6. Relationships with shareholders and investors	3.53	3.78
7. General overview	3.67	3.75
Overall	3.74	3.80

The scores for "1. Roles and functions of the Board of Directors," "3. Operation of the Board of Directors," and "5. Relationship with outside directors" were lower than last year's average; the overall average was 0.06 points higher than in FY2023.

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

Issues for the future

- 1 Lack of discussions on management strategies from a medium- to long-term perspective (specifically, discussions on succession planning, discussions on nomination and remuneration, and preparation of training plans for directors)
- 2 Prior provision of information needed for board meetings
- 3 Coordination with the auditing bodies
- 4 Providing a forum for discussion outside board meetings
- 5 Reaching out to shareholders and investors

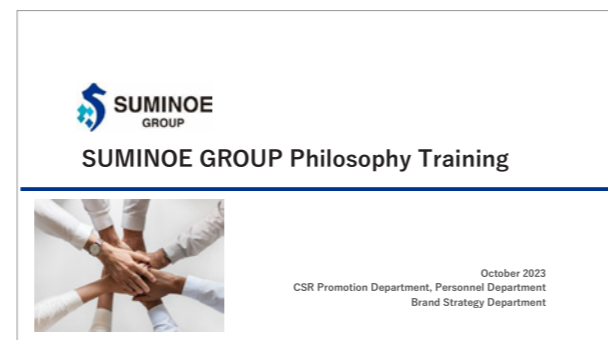
Efforts to address last year's issues

1 Enhance discussions on management strategies from a medium- and long-term perspective.

Topics including the FY2024 SUMINOE GROUP Philosophy, materiality, and sustainable procurement were discussed.

2 Augment opportunities for outside directors to deepen their understanding of the Company.

In January 2024, we offered an opportunity to watch a training video on the SUMINOE GROUP Philosophy, and in February, we invited outside directors to an internal exhibition by the Automotive Textiles Business Headquarters and introduced the direction we are aiming for in the future.



SUMINOE GROUP Philosophy training material



Internal exhibition by the Automotive Textiles Business Headquarters

3 Enhance reports on internal control and risk management systems.

We reported on the incidents, harassment reports, and consultations that occurred in FY2024.

We will continue to address issues in the operation of the Board of Directors while continually evaluating the effectiveness of the board to further enhance its functions.

Training for officers

Providing opportunities to enhance knowledge

Various training opportunities are offered to directors and corporate auditors to enhance their knowledge necessary for their respective responsibilities and duties. (pp. 55, 59)

We also strive to increase opportunities for outside directors to address issues raised in the evaluation of board effectiveness and to help them deepen their understanding of the Group. Upon their appointment, we explain the Group's management strategies and business nature/conditions and offer opportunities to visit factories and offices, as well as briefings by relevant directors as needed.

Close coordination with 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 oversee business execution.

Furthermore, outside corporate auditors proactively obtain the information required for audits from a neutral standpoint and share the information with other corporate auditors to strengthen the auditing environment.

Outside directors and outside corporate auditors maintain close coordination with the Internal Auditing Department and the accounting auditor, requesting reports on the implementation process of audits as needed and working to improve oversight and audit efficiency. If any inadequacies or deficiencies are identified through these oversights and audits, the Internal Auditing Department implements measures to correct and oversee the inadequacies or deficiencies and evaluates internal controls.

Auditing status

The Board of Corporate Auditors strives to strengthen coordination with the relevant organizations at all times in order to further enhance the effectiveness of audits conducted by corporate auditors.

The full-time corporate auditor reports to outside corporate auditors on the status of the Executive Committee, the Board of Operating Officers, and internal audits to ensure close information-sharing with outside corporate auditors.

Corporate auditors ask the Internal Auditing Department about the auditing status and follow-up on and verify the audit findings. The Internal Auditing Department attends business audits by corporate auditors as necessary.

The accounting auditor explains audit plans to corporate auditors at the beginning of the fiscal year and holds regular meetings during the fiscal year on the implementation status of accounting audits. As the need arises, the accounting auditor holds meetings with the Internal Auditing Department and the CSR Promotion Department to share audit issues, especially those related to internal control evaluations, and to strengthen coordination among the units involved. Efforts are also made to ensure close coordination, such as the timely exchange of information on accounting, opinions on audit schedules, and the attendance of corporate auditors in mid-term and term-end audits conducted by the accounting auditor.

Status of internal auditing

The Internal Auditing Department comprises two 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 audits the adequacy of operations of all Group companies in Japan and overseas and formulates and audits annual plans for the development and operation of internal control systems and processes, including internal control over financial reporting.

During the fiscal year that ended May 2024, the department conducted on-site audits of nine overseas Group companies in six countries—the United States, Mexico, Indonesia, Thailand, Vietnam, and China. In terms of internal control over financial reporting, 16 Group companies (including 7 overseas), including the Company, were evaluated, whereas 5 (including 1 overseas) of the 16 companies were evaluated for internal control over work processes.

The results of these internal audits are reported to the President and the Executive Committee, as well as to corporate auditors, the accounting auditor, and the Financial Control Committee to improve the internal control system by raising issues and making suggestions for improvement. In addition, the Department strives to reinforce mutual collaboration with the corporate auditors by, for example, holding liaison meetings whenever necessary.

We will continue to support the enhancement of corporate value to address changes and expansion of the matters and scope of governance and risk management.

G Governance

Remuneration for officers

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

The Group consults with an optional Nomination and Remuneration Committee and, on the basis of the Committee's response, decides the policy for determining details such as the remuneration of individual directors at a meeting of the Board of Directors.

① Policy for determining the amount of each director's individual base salary, details of non-monetary remuneration, and method for calculating the value or quantity thereof

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 by the general meeting of shareholders.

The purpose of stock-based remuneration is to provide an incentive for directors to work toward a sustainable improvement of the Group's corporate value and to promote their sharing of value with shareholders. In view of this purpose, the amount deemed appropriate within the range of remuneration determined by the general meeting of shareholders is paid to the directors, excluding outside directors, at a fixed time each year in the form of restricted stock compensation, which may not be disposed of until the director's resignation or retirement.

② Matters regarding the determination of details of remuneration, etc. of each director

The allocation of remuneration to each director and other matters are discussed by the optional Nomination and Remuneration Committee, which consists mainly of independent outside directors, and are discussed and determined at a meeting of the Board of Directors, which is also attended by outside directors and outside corporate auditors, based on the Committee's response.

Matters regarding the policy for determining the amounts or the calculation method of remuneration, etc. of corporate auditors

The remuneration of corporate auditors is determined by discussion among the corporate auditors within the range of remuneration determined by the general meeting of shareholders.

Policy for constructive dialog with shareholders

The Group works to engage in constructive dialog with shareholders to deepen their understanding of our management strategies and business environment and to gain appropriate recognition from them.

We conduct annual investor relations (IR) activities with institutional and general investors at various locations in Japan. At the time of our earnings announcement, we brief major shareholders and solicit their opinions on the results and the Company's future initiatives.

In terms of handling undisclosed material facts, our basic policy is to ensure equality among shareholders. In addition to complying with the Financial Instruments and Exchange Act and other relevant laws, we work to ensure thorough information management based on our internal regulations for preventing insider trading.

Cross-shareholding

Reasonable and appropriate shareholding

The Company engages in cross-shareholdings for strategic purposes, such as maintaining smooth business relationships and strengthening stable and ongoing relationships with financial institutions, when it is deemed to contribute to improving the Group's corporate value.

Cross-shareholdings are reported to the Board of Directors semiannually to review the purpose of the holding, such as whether the benefits are commensurate with the investment, whether there are any risks, and whether the holding is appropriate and economically rational. The cross-held shares are sold when the purpose for holding them no longer exists.

Regarding the exercise of voting rights, we believe that the appropriate exercise of our voting rights will lead to a medium- to long-term increase in the value of the company in question and its sustainable growth. With this in mind, in principle, we determine whether to vote for or against proposals in light of the situation of and our business relationship with the company in question, and exercise our voting rights in respect of all cross-held shares.

When a company holding shares in the Group expresses an intention to sell, we basically agree.

Officer category	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen)			Number of eligible officers
		Basic salary	Performance-linked remuneration	Non-monetary remuneration	
Director*1	152	138	—	13	5
Corporate auditor*2	15	15	—	—	1
Outside officer	23	23	—	—	7

*1 Excluding outside directors *2 Excluding outside corporate auditors

Restructuring of core systems

We are driving the restructuring of core systems across the Group in a top-down manner.

To improve the efficiency of operations while preventing misconduct, we have been restructuring various systems to visualize the businesses.

① Rollout of the production management system to various departments (in Japan)

This system contributes to establishing a structure that integrates production and sales functions by visualizing the order status from sales to procurement, production status from procurement to sales, and inventory status of materials, work in process, and products.

Business headquarters in Japan are gradually introducing a production management system specifically tailored to the textile industry. In FY2024, the system was fully launched in Suminoe Teijin Techno's sales division, and we initiated deploying the system to Suminoe Textile's Automotive Textile Business Headquarters and Suminoe Techno.

② Improvement of the production management system (overseas)

Deeming IT control to be the most effective means of strengthening internal control at overseas Group companies, we have focused our efforts on inventory management, which involves particularly high risks. In FY2024, we worked on improving the accuracy of inventory management at Bondtex (U.S.) using a production management system, and we have now begun to upgrade the production management system at Suminoe Textile de Mexico.

③ Rollout of systems for managing receivables and payables and accounting

We are working to roll out and enhance the functions of the receivable and payable management and accounting systems introduced at Suminoe Textile in 2022 across the Group to improve work efficiency through paperless operations by eliminating vouchers and integrating receivable and payable balance data. In FY2024, we fully digitized delivery statements and invoices.

In future, we plan to introduce a cloud service for expense settlement, enhance management accounting, and work to prevent fraud.

④ Host computer migration

We are in the process of migrating our host computer to an open platform (rehosting) because the sales of the host computer (mainframe) that we have used for many years as the main infrastructure of our core system will be discontinued in 2030.

Interactive communication through "Management by walking around"

Interactive communication between employees and senior management 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 senior management and employees. In this initiative, officers (directors and operating officers) visit Group companies, etc. in Japan and overseas to exchange opinions with local employees.

In the fiscal year that ended May 2024, management visited 11 sites and 10 offices in Japan, as well as 1 overseas site (Suminoe Textile de Mexico). Although employees commented that daily work efficiency had improved because of the introduction of the new receivables/payables management system, they also raised issues such as aging facilities and equipment, aging employees, a shortage of manpower and a lack of opportunities for exchange with the Group's affiliates.

We plan to continue this initiative, allowing officers to observe the work environment firsthand and communicate directly with local employees, thereby leading to more effective improvement of the work environment.

Visits in the fiscal year that ended May 2024

(Japan) 10 sites

- Suminoe Textile Co., Ltd. East Tokyo Sales Department, West Tokyo Sales Department
- Suminoe Teijin Techno Co., Ltd. Hokuriku Office, Aichi Office
- SUMINOE Co., Ltd. Chubu Block, Chu-Shikoku Block
- RUNON CO., LTD. Nagoya Sales Office
- Suminoe Logistics Co., Ltd. Atsugi Center
- Owari Seisen Co., Ltd. Head office factory
- Kansai Laboratory Co., Ltd.

(Overseas) 1 site

- Suminoe Textile de Mexico, S.A. de C.V.

G Governance

Ensuring Compliance

Basic Policy

Corporate activities in compliance with laws and corporate ethics

The Group has formulated its Code of Conduct and 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 at all times that their own ways of thinking and behavior are 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 raise compliance awareness among employees.

For example, Compliance Guidance is distributed to all Group employees in Japan and is used on an ongoing basis in compliance-related lectures when employees join the company or receive level-based training. We strive to raise compliance awareness daily by reading the Code of Conduct at morning assemblies.

Compliance training

Training for officers and executive employees

We invite external lecturers to conduct ongoing training sessions. In FY2024, we held an information security management training session on "Preparing for the Growing Cyber Security Threat," which covered the importance of information security, the responsibility of management, and the need to protect personal information.

To strengthen compliance awareness, we conduct training on "Business, Human Rights, and Sustainable Procurement" for all employees to promote the significance of the SUMINOE GROUP Human Rights Policy, which was established in FY2024.

Personal information protection briefing

To reduce the risk of personal information leaks, we hold briefings on the Act on the Protection of Personal Information and internal rules for handling such information for several Japanese Group companies that frequently handle personal information. In 2022, a briefing was held for all employees of the target companies (management employees for certain Group companies) and thereafter for new employees each year. Fifty-eight people attended the briefings held between

June and August 2024. The internal rules for handling information are included in the Risk Management Manual and the Compliance Guidance so that employees can refer to them at any time.

Continuously implementing in-house study sessions

Continuing from 2023, we held sessions on the Subcontracting Charges Law for certain Japanese Group companies. At the study sessions, we explain matters that an operator should be familiar with, such as the outline of the law, the shortening of electronic record claims and bill maturities that the Group has implemented in light of changes in the guidelines, and the passing on of labor costs. The briefing in June 2024 was attended by 110 people. All respondents to a questionnaire indicated that the briefing was useful. We also hold thematic study sessions on topics such as "points to note in contracts," "nondisclosure agreements," and "legal affairs (introductory)," and intend to continue to do so.

Whistleblowing system

Establishing whistleblowing contact points

The Group has established a Corporate Ethics Hotline as a point of contact for officers and employees to report incidents of violations of laws, regulations, or corporate ethics within their companies.

We will continue to raise awareness of the existence and use of these contact points through internal training.

Use of consultation services

As of May 31 of each year (number of cases)

Contact point for consultation	2023	2024
Corporate Ethics Hotline (internal contact point)	0	1
Corporate Ethics Hotline (external contact point)	0	0
Health consultation contact points (including harassment consultations)	9	3
Harassment consultation contact point	8	6
Total	17	10

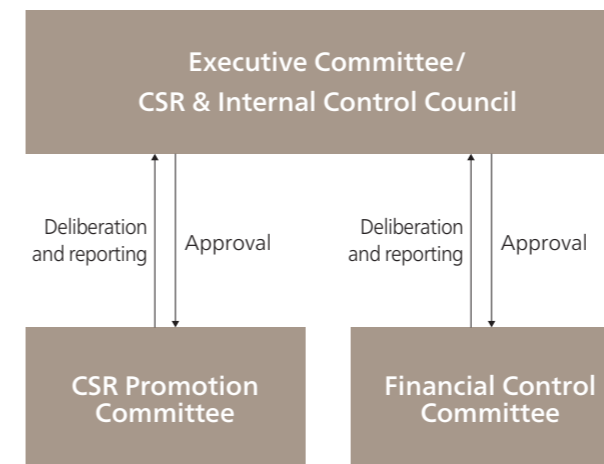
Risk Management

Risk management system

Reporting to the Executive Committee and the CSR & Internal Control Council after deliberation and review by each committee

The Group has established the following risk management system. The CSR Promotion Committee, which comprises members from the respective headquarters and departments, deliberates on matters relating to overall risk management activities, such as risk prevention measures and emergency response. The Committee then reports the results of its deliberations to the Executive Committee and the CSR & Internal Control Council for approval.

The Financial Control Committee reviews the assessment of the risks of material misstatement of financial statements based on the risks reported by Suminoe Textile and Group companies in Japan and overseas and reports the results to the Executive Committee and the CSR & Internal Control Council. Under this system, we have reduced risks to a certain level. We will continue to promote the introduction of information technology (IT) to develop a system that can further mitigate risks.



Initiatives in cyber security

In response to the recent increase in cyberattacks, we are implementing various initiatives, such as conducting phishing email drills, detecting device hacking, and introducing constant monitoring by an external operator in accordance with the Suminoe Textile Group Information Security Policy.

In the future, we plan to make company-wide efforts to strengthen our security measures to cover all of our business activities by formulating a security measure roadmap based on the results of a risk assessment conducted by a consulting firm.

Action Plan of the Business Continuity Plan (BCP*)

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, we have been working to establish our business continuity plans (BCPs), focusing on collecting information, such as that on employees' personal safety and damage caused by a disaster.

At the head offices of Suminoe Textile and SUMINOE, we conduct BCP-based personal safety confirmation drills annually, assuming an emergency.

The Crisis Response Manual on Overseas Assignment, which is included in the Risk Management Manual, ensures that we can quickly respond to emergencies at overseas Group companies.

*Business Continuity Planning. A plan designed to ensure business continuity and rapid recovery in the event of an emergency, such as a disaster or 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 have an accurate understanding of and deepen their knowledge of these rights. Therefore, we provide employees with intellectual property rights training when they join a company to raise their awareness of the importance of these rights to the company. In addition, the Group's acquisition of intellectual property rights and related information are reported at technical meetings held regularly at the Suminoe Textile head office and Nara Office. Furthermore, we always share the latest patent information within the Group by monitoring other companies' patents related to the Group's technologies and disseminating information to each relevant department.

The Group currently holds approximately 150 active patents, such as deodorant-related technology and recycled carpet technology, which they effectively use in the products. In addition to filing applications for specific commercialization, we focus on filing applications for prior-art patents considering future business development.

We will continue to provide education on intellectual property rights and share information for the strategic utilization and protection of these rights.



In light of the recommendations of the Outside Director, we aim to grow toward a sustainable future and increase our corporate value.

Teppei Nagata

President and Representative Director

Yuko Shibuya

Outside Director

To further improve the effectiveness of governance, President Teppei Nagata obtained the opinion of Outside Director Yuko Shibuya on the state of SUMINOE's business management. Outside Director, Ms. Shibuya, who previously worked as a product buyer at Takashimaya Co., Ltd., currently oversees Takashimaya's procurement unit as an operating officer and deputy general manager of the Merchandizing Headquarters. We asked her to share her views on the SUMINOE GROUP based on her extensive overseas work experience.

Demand creation is the next key to growth in the interior fittings market.

Nagata: It has been about a year since you became an outside director of our company. How did you view the environment surrounding the SUMINOE GROUP during this period?

Shibuya: In any era, there is seldom a year without ups and downs in business management. The fiscal year that ended in May 2024 was no exception, with a series of natural disasters in Japan and heightened geopolitical risks abroad. These factors led to a significant increase in the cost of raw materials and energy, which had a major impact on business in general. Meanwhile, exchange rate fluctuations cannot be ignored. The weak yen boosted sales in our overseas business, but the yen has recently appreciated. We must continue to pay close attention to future exchange rate trends.

Nagata: As you say, sudden exchange rate fluctuations are a difficult problem for business management. As a company manager, I would like to see a stable exchange rate of around 110 yen to 120 yen per dollar. Although a weak yen increases sales and profits for overseas businesses, it also increases the cost of raw materials and energy, which has a negative impact on business. In terms of overseas economies, the slowdown in China

poses a major risk to SUMINOE. However, overseas expansion has become even more important, especially in the Automotive Textiles business; thus, we need to monitor the situation closely and respond flexibly to expand our market in Asia.

By the way, Shibuya-san, how do you view the current situation of the interior fittings industry?

Shibuya: I think there are still opportunities in the business to business side of the interior fittings industry. For example, the entry of foreign hotels into Japan in response to the expected increase in demand from inbound tourists has given rise to expectations for new projects and demand. There was also a period of active household consumption due to the COVID-19 pandemic. Although this has calmed down a little now, I think the demand for improving living space will remain strong in the long term. In Japan, the population and the number of households are declining, but if we can capture the changes in consumers' lifestyles and tastes, I think there are still opportunities for the interior fittings industry.

Nagata: Since the Showa era, interior fittings have developed along with the prosperity of the home. In those days, curtains were simply used to cover windows, but the emphasis on personal taste and design gradually increased, and SUMINOE grew by responding to this trend. In today's Japan, however, people's budgets for interior spending are limited. Consumer spending on smartphones and games is increasing, but not much money to purchase interior fittings. We are also to blame as manufacturers of interior fittings. The entire industry should do more to promote the appeal of interior fittings and increase interest. In particular, the industry's ability to disseminate information is still weak, and I feel that we need to take initiatives to revitalize the home interior fittings sector.

Shibuya: When I was stationed in Singapore, I was struck by the fact that while the local people did not spend much money on fashion, they did invest quite a bit in their homes. Not only foreigners and the local rich who live in luxurious residences

called condominiums but also the general middle class living in public housing buy renovations and interior fittings and enjoy their own lifestyles. In particular, the younger generation tended to actively spend money on interior fittings.

Alternatively, there is not much of a habit of spending money on the home in Japan, and as President Nagata said, spreading interest in interior fittings is a major issue. How to revitalize the BtoC market for interior fittings is also an important theme for SUMINOE GROUP.

Promoting initiatives for outside directors to deepen their understanding of our business

Nagata: Next, I would like you to share your views on our governance.

Shibuya: I consider that active discussions are held at board meetings. In particular, outside directors provide insights from their areas of expertise, such as law and accounting, based on a deep understanding of SUMINOE's business management. In addition to the fact that Board of Directors meetings are a place where important matters for resolution are handled, I often see cases in which board members engage in in-depth discussions based on the matters reported.

Nagata: I am relieved by your positive view of the operation of our Board of Directors. However, I am aware that we face several problems. One limitation is that compiling the quarterly financial results announcements is slow, and the results are shared with the board members just before the meeting. We are currently reconstructing our core systems to address this issue.

However, I take pride in the fact that, as you pointed out, the composition of our outside directors is well balanced. We have a diverse group of people with a variety of backgrounds, including those with corporate management experience, lawyers, and accountants. They provide meaningful discussions based on their breadth of insights. Our outside directors frequently point out issues that we are not aware of from an external perspective.

At SUMINOE, we promote initiatives to enable outside directors to deepen their understanding of our business. In FY2024, we held a board meeting at Suminoe Techno's Nara Factory and visited the plant. For FY2025, we have shared our future direction through our Group Philosophy training video and an internal exhibition by the Automotive Textiles Business Headquarters. We are also planning to hold a board meeting and site visit at our office in Matsubara, Osaka, Japan. We intend to continue to provide opportunities to visit our plants and offices as often as possible to deepen the understanding of outside directors about our business.

Shibuya: Regarding my duties over the past year, there was an accident that caused a small fire at Suminoe Techno's Nara Factory in November 2023. During that time, I mentioned at the board meeting that there is always a risk of accidents at production sites. We discussed how to respond to a disaster at a worksite and how to prevent disasters. In terms of operational safety, we will strive to monitor future initiatives instead of holding ad hoc discussions.

Nagata: As you have highlighted, worksite safety is our top management priority, and we will work in earnest to address this issue based on your comments.

An example of monitoring carried out by outside directors is the return profitability our U.S. subsidiary. We have faced various challenges in this process, but I believe that in the end, making the necessary management decisions after exchanging many opinions has led to the current result.



Changing employee attitudes and promoting diversity

Nagata: Shibuya-san, over the past year, you have deepened your understanding of our business execution sites by engaging in dialog with SUMINOE GROUP employees. Please share with us the insights gained through these initiatives.

Shibuya: Yes, while being in frequent contact with President Nagata and other directors as an outside director, I have also tried to engage in dialog with SUMINOE GROUP employees to understand their awareness and the corporate culture of the Group.

I felt that many of the employees were serious and sincere in their work. In fact, the phrase "There are many good people" made an impression on me, indicating that a warm atmosphere prevailed throughout the company.

However, when you listen carefully to the employees, I feel that although they take pride in their work, there is room for improvement in terms of loyalty to the organization. In particular, some employees feel a sense of limitation in terms of career development, and I believe that addressing this issue is important. Additionally, I felt that it was important to promote initiatives that would enable employees to become more aware of the strengths and appeal of the SUMINOE GROUP.

Nagata: As mentioned, our employees tend to be serious and reserved in corporate culture. Many of our employees work hard within a certain range. However, they may lack the attitude to take on work voluntarily and aggressively.

Since I became President, I have been working not only on external IR but also on spreading the Group Philosophy among employees to change this situation. I hope that our employees will once again recognize the strengths and characteristics of the Group, take renewed pride in being a pioneer in the interior industry, and work with a sense of pride.

In addition to formulating the Group Philosophy, I am gradually reforming our personnel and remuneration systems. I am developing a system that rewards the efforts of those who have worked hard by increasing their remuneration. Through these reforms, I hope to grow the company further while preserving the good traditions of the SUMINOE GROUP.

Shibuya: Transforming a company requires the efforts of everyone, from President Nagata and other members of senior management to segment heads, general managers, and the manager class. The reality is that unless top management changes, it will be difficult for lower levels to change. Changing one's mindset is not an easy task. It requires company-wide initiatives. In this respect, the decision to rename the company was a significant move, and I believe it will be a turning point for the company. I hope this will change the mindset of employees,



who are important stakeholders, and to further the growth of the company.

Nagata: I believe that diversity and inclusion as a way to use human resources is also a major issue for the SUMINOE GROUP.

Shibuya: I believe that appointing female employees to management positions should be a priority. As all companies strive to achieve their goals, the SUMINOE GROUP is also required to work consciously. However, caution is required because appointing women without a sufficient support system may not benefit the individual and the company.

In the dialog I had with the employees, a comment was made: "Innovation comes from diverse human resources." This made me realize once again that it is essential to appoint diverse human resources to promote innovation. I also believe that unconscious bias affects the stereotypical view common in Japanese society that women do not aspire to high-level positions. In fact, there are quite a few women who want to actively advance their careers, and I think it is important to create an environment in which these women can grow.

Nagata: I would be glad if you could give us some advice on encouraging women to actively participate in the workplace based on your experience.

Shibuya: In terms of developing and appointing female managers, I think it would be a good idea to start in their areas of expertise or experience. The person would bear a heavy burden to be appointed to a management position in an area in which she has no experience. Although I believe that people with skills should be given the opportunity to take on challenges regardless of their age, skills as frontline workers and managers are two different things. Both these skills are essential.

Since the SUMINOE GROUP mainly conducts business in the BtoB area, I think the lack of opportunities to interact with people outside the company is an issue. In my experience in the retail industry, we are in contact with customers on a daily basis, through which we often notice trends and changes in society. However, if you only work within the company, you may not have the opportunity to notice such things. I believe that increased contact with external training institutions and business partners can effectively broaden an individual's perspective.

Nagata: In terms of diversity, I personally do not think that every employee, regardless of gender, should aspire to a high-level position. Each employee must have their own values and circumstances in their life cycle. In this situation, I believe it is natural for the SUMINOE GROUP to create an environment that allows employees who want to build a career to play an active role in the workplace.

The results of the Questionnaire Survey on Workplace Comfort (In-house Employees' Opinion Survey) revealed that the percentage of female employees who want to improve their careers is low. I believe it is important to first create a role model that women can aspire to. In fact, we appointed a female deputy manager of the R&D Center for the Automotive Textiles business, who plays an important role in the design and planning. We also appointed three women as corporate auditors for a subsidiary in Japan for the first time.

Additionally, we are promoting the early appointment of young employees, and a culture of respect for diversity is gradually taking root throughout the Group. I believe it is the job of a company manager to create an environment where employees can think, "I might be able to make it there, too," by showing how women and young people play an active role in the workplace.

Further overseas expansion and improving the revenues of the interior fittings business

Nagata: The SUMINOE GROUP is pursuing steady change for the future under our medium- to long-term management targets, SUMINOE GROUP WAY2022-2024-2027. Can you please share your opinion on this matter?

Shibuya: First of all, I feel that it will not be easy to grow in the domestic market unless we take market share from other companies or bring in new elements from outside. This is a challenge faced by every industry. The key point is to find new sources of revenue and growth opportunities.

In this regard, the SUMINOE GROUP should pursue further development of overseas markets. Based on the fact that SUMINOE has 13 overseas Group companies and about 40% of its employees work overseas, we can say that it is already a company operating globally. Furthermore, they are in a growth phase, with the U.S. subsidiary taking the lead. Of course, overseas businesses face various challenges, and business expansion in overseas markets will become increasingly important for further growth.

Nagata: Our sales are 60% from the Automotive Textiles and Traffic Facilities segment, 35% from the Interior Fittings segment, and 5% from the Functional Materials segment. As we aim for growth in the future, revenue expansion in the Automotive Textiles and Traffic Facilities segment is key to the growth. In view of this, the segment has strong relationships with Japanese automakers and is making an ongoing effort in doing business with foreign automakers.

Meanwhile, the Interior Fittings segment, which is our original business, has faced sluggish operating margins of around 1% in the past, and we think improving this is our immediate issue. Although our operating margin recently increased to 3%, we would like to see it rise to at least 5%. If this improvement is achieved, we can expect to see a consolidated operating margin of 5% or higher, as well as an awareness among employees working in the Interior Fittings segment that their business is also generating profits, which will lead to better treatment for employees at our subsidiaries. In addition to expanding the scale of the Automotive Textiles and Traffic Facilities segment, it will be essential to steer business management with a focus on improving the revenue of the Interior Fittings segment.

Shibuya: With a total of approximately 30 Group companies, including 13 located overseas and the rest in Japan, how do you perceive the synergies across the entire Group? In particular, I want to know how the collaboration between human resources and business has been effective, or about the possibility of

strengthening it.

Nagata: At the SUMINOE GROUP, collaboration between the Automotive Textiles and Traffic Facilities segment and Interior Fittings and Functional Materials segment has been progressing. In addition to Interior Fittings segment, the business of designing indoor spaces has been expanding. Furthermore, there is increasing collaboration between Kansai Laboratory, which conducts product performance and consumption science evaluations, and a Group company that sells testing equipment, making it possible to procure testing equipment within the Group. The strength of being able to conduct testing within the Group is also beneficial to product development, through which I believe we can create new value.

Communicating management targets to employees and strengthening collaboration with senior management

Nagata: How do you assess our progress toward our medium- to long-term management targets?

Shibuya: I value the fact that the Group is making steady progress in its initiatives to increase net sales and operating income. The future will involve how to achieve the profit targets. My concern is that the Group still has some issues with regard to how well targets are communicated to the general employees. My impression from the dialog I have had with the Group's employees is that although the general managers have fully understood the targets and are working to achieve them, the targets have not been fully communicated to the general employees. An important point to consider is how to link the Company's targets with each employee's. I believe it is necessary to ensure that targets are communicated to employees and to continue to find ways and make efforts to link targets with employees' individual targets.

Nagata: I sincerely accept your comments. Currently, the SUMINOE GROUP is focusing on communication between senior management and employees and is working to ensure that our employees have a firm grasp of the Group Philosophy and that they can reflect it in their daily work. One initiative is Group Philosophy training. In the first session, I explained my views on the Philosophy in the President's message. At the upcoming second session, the heads of business headquarters, operating officers and general managers, and I will hold a three-way roundtable discussion on management targets, the Group Philosophy, and the mission of each business headquarters, which will be distributed online to promote understanding among employees. This is the first time we have tried something like this, but I believe that by listening to the frank opinions and real feelings of senior management in the roundtable discussion, in addition to the internal newsletters and messages to employees, employees will be able to understand management targets and directly feel what is expected of them. I believe that incorporating the Group Philosophy and the mission of the business headquarters and departments into each employee's targets will lead to changes in behavior and achievement of targets for the entire organization. Since 2018, we have been implementing an initiative called "Management by walking around." Under this initiative, senior management visits offices and factories to communicate directly with employees at the sites. Meetings are held at the sites, and opportunities to deepen relationships with employees. During overseas visits, we emphasize interaction with locally hired employees. Through these initiatives, we aim to build a relationship of trust with each employee and strengthen collaboration throughout the company.

Shibuya: After having been stationed overseas, I know how important it is to communicate with overseas employees. It is very meaningful in terms of increasing engagement of local employees when the president and directors visit overseas sites in person and value local interaction.

Growth strategies for the future and environmental challenges

Nagata: Lastly, can you share with us your opinion on the SUMINOE GROUP's long-term outlook?

Shibuya: It is not easy to envision the future 10 or 20 years from now, but the strength of the SUMINOE GROUP is that it has transformed itself according to market demands in infrastructure-related areas, such as the Interior Fittings segment and the Traffic Facilities segment. Environmental considerations and sustainability will become increasingly important as mobility changes. The SUMINOE GROUP is promoting the development of new environmentally friendly materials, which should also be a strength of the Group. As environmental protection measures, including waste disposal, are required, responding quickly to the expectations of society will be key to future growth.

Nagata: In our medium- to long-term management targets, we considered what we should do in the future, what we should maintain, and what we should abandon under what kind of strategy by backcasting from our vision of 2050 to achieve sustainable management. Employees in their late 20s to 40s, who we expect will lead the next generation, discussed what kind of company they want SUMINOE to be in 2050. Based on each team's presentation of what they want to achieve in the future, we will consider how to link our company's technology (seeds) with customer needs to create innovation within the organization. When I joined the company, our net sales were approximately 30 billion yen. It took 42 years to exceed 100 billion yen. To increase net sales to 150 billion yen or 200 billion yen in the future, we will need to grow the Functional Materials and Interior Fittings segment further and create new business pillars. We will deepen discussions within the company to create new business pillars through M&A or pursue growth through other channels.



Shibuya: As the SUMINOE GROUP engages in R&D in various areas, I believe that groundbreaking elemental technologies will emerge. I look forward to seeing how they lead to future growth. I think the phrase "bringing innovation to all kinds of spaces" contains many possibilities. This phrase makes it possible to bring innovation to various spaces in the future. This phrase indicates the potential of the SUMINOE GROUP to address challenges in various business areas.

Nagata: Thank you for sharing your opinions.