

Message from the President

SUMINOE GROUP aims to enhance our corporate value while raising the level of our true capabilities through integration of tradition and innovation.

Teppei Nagata

President

Purpose of changing the Company name

Striving to strengthen our brand and foster a sense of unity on a global basis

To achieve sustainable growth, the SUMINOE GROUP is accelerating global expansion and enhancing non-textile areas, thereby further intensifying its initiatives to transform itself. Symbolic among them was changing the Company name from "Suminoe Textile Co., Ltd." to "SUMINOE Co., Ltd." in December 2024.

We have taken great pride in our history of more than 140 years and the previous Company name "Suminoe Textile (住江織物 in Japanese)." On the other hand, as time went by, we became aware that Japanese people nowadays have some difficulty reading the kanji (Chinese characters) "住江 (Suminoe)." We also judged it necessary to use an integrated name that is correctly understood by everyone, as we will implement global strategies to promote the business without being limited to textiles in the future. We therefore decided to adopt the alphabetical expression "SUMINOE" instead of the above kanji characters.

This renaming is more than just a change in the Company's name; it represents a turning point of our brand strategy. The new name has been easily accepted in overseas countries, where the alphabetical expression "SUMINOE" has already been widespread. In the future, we will promote the Group's unified logo both in Japan and overseas and further increase its recognition in the global market.

Also, this change provides us with an opportunity to strengthen the sense of unity among our Group companies. The unified logo and business card design have encouraged Group employees to realize more strongly that they are working under the common banner of SUMINOE. A number of employees of Group companies in Japan and abroad commented that "Now we feel a closer distance between Group companies," which indicates that the sense of unity between the Company and its Group companies is becoming stronger than ever. I am confident that this sense of unity will serve as a driving force behind the creation of new value.

We decided to change the Company name in the hope of clarifying our attitude of continuing to create innovation while valuing tradition. Under the new banner of "SUMINOE," I will work together with employees and embrace many challenges to create new corporate value that lives up to stakeholder expectations through sustainable growth.

Review of the fiscal year ended May 31, 2025

Raising the level of our true capabilities in light of the results of the Medium- to Long-term Management Targets and challenges

Looking back on the performance of the fiscal year ended May 31, 2025, the Group's consolidated net sales exceeded

the previous fiscal year and amounted to 104.7 billion yen, securing the 100-billion-yen level for two years in a row. The Automotive Textiles and Traffic Facilities segment increased revenues due to the recovery of automobile sales as well as capture of growing demand for interior materials for railways and buses. The Interior Fittings segment made steady progress in business performance, driven by sales expansion of ECOS®, eco-friendly carpet tiles under the horizontal recycling system, and growth in the space design business. Meanwhile, the Functional Materials segment suffered a revenue decrease and deficit, affected by the decreased demand for fabric-coated heating products due to an unusually warm winter and by changes in the production system at a customer of floor materials for bathrooms. Consequently, improvement of the segment's revenues has remained as our significant task.

Regarding profits, operating income decreased from the previous fiscal year to 3 billion yen. Both ordinary income and profit attributable to owners of parent also decreased. These declines were due to the impact of fluctuations in production plans from automakers and the accompanying increase in logistics costs, as well as temporary factors such as the recording of foreign exchange loss of a consolidated subsidiary and system failure response costs. As a result, ROE stood at 2.1% and PBR at 0.5 times, remaining below the cost of equity. Sincerely accepting this fact, I recognize that our top priority is to improve profitability and capital efficiency, both of which are directly linked to enhancement of corporate value.

By the fiscal year ended May 31, 2024, the SUMINOE GROUP completed the "sowing the seed" process in the first three years (SGW STEP I) of the Medium- to Long-term Management Targets "SUMINOE GROUP WAY 2022-2024-2027." Now the Group has entered the latter three years (SGW STEP II), during which emphasis is placed on raising the level of our true capabilities. In the latter's first year, i.e. the fiscal year ended May 2025, we carried out various measures in line with the policy of SGW STEP II. However, affected by aforementioned factors, including fluctuations in the production plans of automakers that lasted longer than expected, both net sales and profits at each level did not reach the initial plan.

We are determined to simultaneously improve profitability and capital efficiency, taking into account the results of SGW STEP I and challenges, as well as the current external environment surrounding the Group.

The Group will certainly achieve sustainable growth and evolve its corporate value, based on the foundation we have established through our endeavors to pave the way for the next stage.

Priority themes of SGW STEP II

Strengthening the foundation for sustainable growth through improvement of profitability and capital efficiency

Message from the President

In order for the Group to achieve sustainable growth in the future, I believe it is essential to raise its corporate value to a level that exceeds the cost of equity by concurrently improving profitability and capital efficiency. To this end, we have specified the following five priority themes for SGW STEP II: improving profitability; enhancing non-textile areas; further strengthening global expansion; strengthening management base; and branding. By pursuing these themes, we aim to achieve an operating margin of 5.0%, an ROE of 8.0%, and a PBR of 1.0 times by the fiscal year ending May 31, 2027.

By the words “raising the level of our true capabilities” stated in SGW STEP II, we mean not merely improving existing businesses but also creating new value and embarking on the next growth stage. Given the market environment, which is undergoing major changes, we cannot sufficiently cope with the situation just by continuing conventional measures. We will lift our growth potential to a higher level by advancing into new business fields and reforming the structure of existing businesses.

To begin with, I would like to discuss “improving profitability.” In the Automotive Textiles and Traffic Facilities segment, at our bases in North and Central America we strengthened initiatives to better respond to foreign automobile manufacturers. We also started full-operation of the synthetic leather factory in Mexico. Additionally, we decided to introduce a finishing line for synthetic leather at the factory in Thailand so as to establish an efficient production system. Regarding interior materials for railways and buses, we have steadily responded to the demand arising from the need for disaster prevention and safety measures. As a result, a stable revenue base is being established in the Automotive Textiles and Traffic Facilities

segment as a whole.

The Interior Fittings segment has been promoting frontline personnel to be “more conscious of securing appropriate profit.” Small improvements in, for example, methods of making an estimate and price pass-through of raw material and energy costs can greatly contribute to profits. For this reason, we have focused intensively on setting fair prices suitable for our products and corporate value. Through these initiatives, the profit levels are being raised gradually.

Moreover, we have strengthened activities to expand sales of ECOS®, eco-friendly carpet tiles under the horizontal recycling system. We also offer new products for high-end customers, including “Epilogue,” a series of luxury made-to-order rugs imported from Europe, and “itten,” the Group’s original made-to-order rug collection. With these products, the Group has established a lineup of value-added products that feature both excellent design and environmental performance, so our market presence has been increasing. I believe that enhancing the lineup of these highly value-added products will directly lead to profitability improvement.

The Group’s sales are approximately 60% from the Automotive Textiles and Traffic Facilities segment and approximately 40% from the Interior Fittings segment and the Functional Materials segment. Recent years have seen significant market fluctuations in the automotive sector. We have therefore been reinforcing the revenue bases in areas where market fluctuations are smaller, such as interior fittings, trains and buses. Specifically, the Group has been working to strengthen high-value-added products and designs in the area of trains and to further expand our market share in the area of buses. In the Interior Fittings segment, we have steadily improved profitability by implementing value adding strategies. In the Functional Materials segment, returning to profitability has come within sight after moving out of the red. Going forward, the Group will improve profitability in these areas, which account for 40% of its sales, in order to ensure overall stability while maintaining growth of the Automotive Textiles business. In so doing, we will establish a system that is less susceptible to changes in the external environment.

The next topic is “enhancing non-textile areas.” In the fiscal year ended May 31, 2024, the Group’s synthetic leather business already achieved net sales of 10 billion yen, which was originally targeted for fiscal year ending May 31, 2027. With the factory in Mexico serving as a growth driver, we will further expand the business by working to secure stable orders and improve production efficiency. In the Functional Materials segment, with the aim of breaking from conventional dependence on fabric-coated heating products, we are striving to enhance the lineup of filter products and develop new products for the household appliance category. Through these initiatives, we intend to develop the non-textile area into the next profit pillar.

In the meantime, “further strengthening global expansion” is also an important theme for us. In North and Central America, we have increased transactions with foreign automotive manufacturers. As part of our efforts to strengthen global expansion, we have formed a business alliance with the TESCA group, an automotive fabric manufacturer in France. This mutually complementary alliance has enabled the SUMINOE GROUP to utilize the TESCA group’s production facilities in the region where TESCA has its production base, and vice versa, TESCA to utilize the Group’s production facilities in the regions where TESCA has no production bases. Based on this alliance, we are promoting initiatives covering the whole world. This has allowed us to review the business structure, which was mainly targeted at Japanese automakers previously. While establishing a broader customer base, we aim to stabilize profitability and increase growth opportunities.

As for “strengthening management base,” we regard our ROE of 2.1% and PBR of 0.5 as a serious situation. To achieve an ROE of 8.0%, we will endeavor to improve profitability, make effective use of assets, and promote the use of financial leverage. In addition to initiatives such as reduction of cross shareholdings and optimization of inventory, we will ensure management with a strong focus on capital efficiency. Furthermore, regarding shareholder returns, we have raised our dividend payout ratio to 38% and aim to achieve an annual dividend of 70 yen (equivalent to 140 yen before the stock split) in the fiscal year ending May 31, 2027. In this manner, we are working to strengthen returns to shareholders and investors.

Initiatives to improve ROIC/ROE

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



- Increase profits in North and Central America
- Improve profitability of Interior Fittings segment
- Adjust cash and deposits and borrowings to appropriate levels
- Management with inventory turnover
- Improving utilization rate of production facilities
- Returns to shareholders and investment in human capital

The final topic is “branding.” As stated at the beginning, we changed the Company name to “SUMINOE” and globally unified its brand. Taking advantage of this brand enhancement, I would like to increase the Group’s presence in the global market and cultivate a corporate culture that allows each individual employee to embody the brand by acting with pride.

Through these initiatives for transformation, I hope to evolve the SUMINOE GROUP into an entity that creates a “new comfort standard.” The Group will strive to concurrently improve both profitability and capital efficiency by producing products that help reduce environmental impact and resolve social issues. By doing so, we will build corporate value that sustainably earns favorable reputations from shareholders and investors.

With regard to the issue of the U.S. tariffs, automotive manufacturers do not always have clear response policies, and its impact on automobile production and sales volume still remains uncertain. For this reason, we had no choice but to set numerical targets that are more conservative than those set at the time of SGW II formulation. Meanwhile, considering brisk sales of electric vehicles, there is a possibility that the actual results may surpass the current sales level. However, the rise of Chinese manufacturers is not negligible, which fuels fierce competition in the Asian market. In response to these circumstances, the Group focuses on expanding transactions with automotive manufacturers other than Japanese carmakers. We have strengthened proposal activities geared to European manufacturers, the “Big Three” American carmakers, and Asian automakers. Our production base in Mexico has already begun to receive orders from foreign automotive manufacturers and started mass production. Going forward, we will strive to obtain new growth opportunities while mitigating risks that may decrease orders.

Toward the creation of new value Advancing to the next growth stage, with technological innovation and environmental initiatives at the core

Looking back on the history of the Company, it has developed many technologies and products that were the first of their kind in Japan. On this front, however, I have to admit that there has been a slight sense of stagnation in recent years. Needless to say, the creation of new value is indispensable for achieving further growth. In addition to improving existing technologies, we need to develop new products and technologies looking ahead to the next step. Senior management is encouraging employees who will take the lead in the next generation to widen their perspectives both inside and outside the Company and to develop their curiosity. Having such a mindset will help employees expand their ideas while performing day-to-day tasks, heightening their motivation to take on challenges in the next stage. Toward “raising the level of our true capabilities,” which represents the basic approach of SGW STEP II, we will create new value by promoting technology development and business structure reforms without falling into complacency, thereby cultivating the next growth opportunity.

On the technology development front, we are putting our energies into the development of new technologies for the next generation by further evolving our core



Message from the President

technologies, including textile and knitting production technology that the Group has nurtured over many years, as well as coating, lamination and recycled polyester yarn-making. As represented by smart textiles and other highly functional materials, we have also strived to develop new applications, which will directly lead to solutions of social issues and greatly enlarge room for further growth of the Group. In response to the decreased demand for conventional fabric-coated heating products, the Functional Materials segment is promoting the development of new applications, making effective use of the factory in Vietnam, in order to achieve regrowth of the business.

Environmental initiatives are integral elements in tackling future challenges. The SUMINOE GROUP works on the development and sales expansion of products conducive to resource and energy conservation, such as the ECOS® series, eco-friendly carpet tiles under the horizontal recycling system. The Group will further expand these initiatives. I believe that our source of growth lies in pursuing technology development and environmental initiatives

in combination. We have established specific targets for reducing greenhouse gas emissions and increasing the utilization rate of recycled resources. By offering products and services that meet these targets, the Group will create social value and achieve profitability at the same time.

Also, initiatives to leverage synergies between businesses provide us with an important growth opportunity. We have created new added value through collaboration between different business segments. For instance, designs and sensibilities developed by the Interior Fittings segment are applied to automotive interior products, and techniques of Tango *dantsu* (high-class hand-woven carpets and hooked rugs) are applied to luxury cars. Moreover, initiatives are also under way to promote synergy with the space design business at offices and commercial facilities, aiming to demonstrate the strengths of the Group in all kinds of spaces.

I would also like to nurture a corporate culture that enables employees to unleash their own creativity by taking a backcasting approach from their desired future state in

employees learning to think and act autonomously. My mission is to further facilitate such positive attitudes of employees.

SGW STEP II upholds “Strengthening management base” as one of the priority themes. At the core of this theme is human resources strategies. I think that in the future we will need human resources equipped with the ability not just to receive instructions but to voice their own ideas and to play a leading role while involving others around them. As the Group is accelerating its global expansion, it is essential to secure human resources having foreign language skills and international experience. We are therefore striving to create an environment that enables diverse employees to realize their full potential by strengthening measures for human resources cultivation and recruitment.

In terms of creating an organizational culture, we are continuing initiatives that provide employees with opportunities to freely exchange views regardless of generations and departments to ensure that voices of frontline workers are reflected in management. I would like to nurture a business structure that can respond appropriately to the age of rapid change by building a flexible and highly creative organization while valuing diverse opinions and ideas of employees.

The Company changed its trade name from “Suminoe Textile Co., Ltd.” to “SUMINOE Co., Ltd.,” which marked a new step toward increasing its name recognition in the global market. To succeed in strengthening our brand, it is vital that each and every employee embody the brand with pride. I consider it important to embed the brand not simply as a name but as a sense of value shared by employees so that all Group employees will unite under the banner of SUMINOE.

We will promote measures to cultivate human resources, evolve the organizational culture, and enhance our brand power in an integrated manner in order to guide the SUMINOE GROUP to the next growth stage. We will strive to establish a world-class brand that inspires employees to work with pride. We believe that this initiative will serve as a driving force for achieving sustainable growth and enhancing our corporate value.

Securing and improving profits and increasing market capitalization

Pursuing management that lives up to expectations from stakeholders, including employees

Last but not least, the policy of the Group is that it will make all-out efforts to secure and improve profits and increase market capitalization. For the fiscal year ending May 31, 2026, we plan to post net sales of 105 billion yen and operating income of 3.1 billion yen. Further, for the fiscal year ending May 31, 2027, which is the final year of SGW STEP II, we aim to achieve net sales of 109 billion yen, operating income of 5 billion yen, ordinary income of 5 billion yen, and profit attributable to owners of parent of

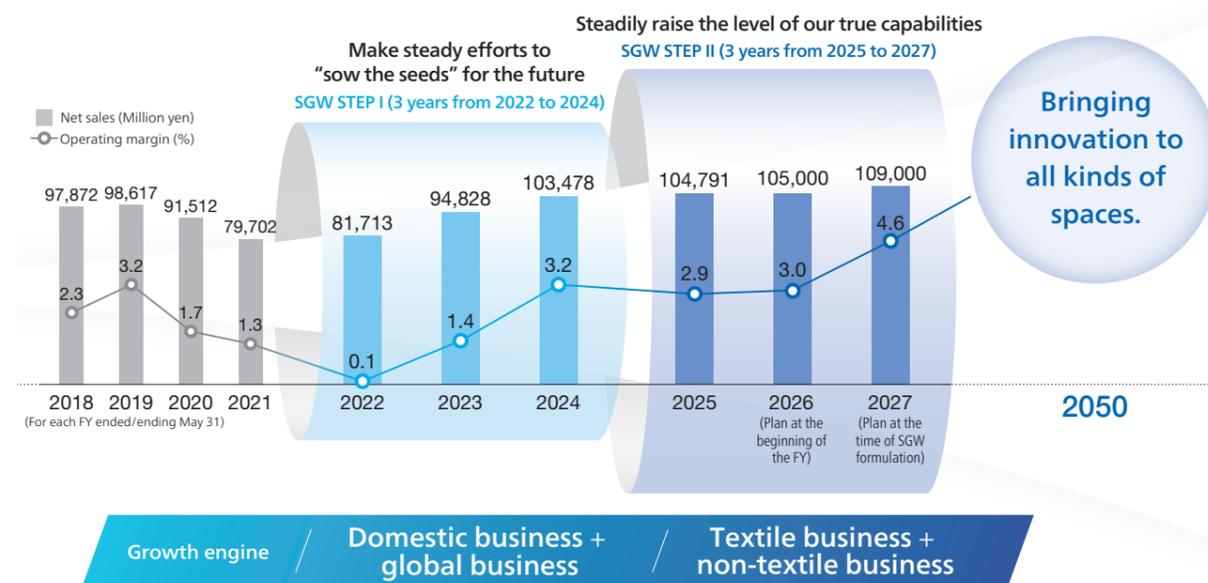


2.6 billion yen. We have also set the FY2027 targets for ROE at 8.0% and PBR at 1.0 times.

For our shareholders and investors, we have raised our dividend payout ratio from 33% to 38% and aim to achieve an annual dividend of 70 yen in the fiscal year ending May 31, 2027. Other measures to reinforce shareholder returns include improvement in the shareholder benefit program. We will also enhance IR activities by such means as increasing opportunities for financial results briefings, meetings with institutional investors, small meetings, one-on-one interviews, and briefings for individual investors while providing English disclosure and improving disclosure quality. Through these activities, we will pursue highly transparent management.

At the same time, to support personal growth of employees, we will establish an environment where they can autonomously take on challenges, in the spirit of the SUMINOE GROUP Philosophy. For our suppliers and customers, we will provide high-quality and environmentally friendly products and services to live up to their trust. For society, we pledge that the Group will contribute to creating a sustainable future as an entity that will set a “new comfort standard.”

Through these initiatives, we will evolve the SUMINOE GROUP into an enterprise that will continuously deliver value to all stakeholders. Based on relationships of trust with shareholders, investors as well as other diverse stakeholders, we will strive to achieve sustainable growth and enhancement of our corporate value. We would sincerely appreciate your continued support.



order to bring new value to society.

As discussed thus far, the Group has been pursuing technological innovation, environmental initiatives, inter-business synergies and global expansion, viewing these as our growth opportunities. We will evolve the SUMINOE GROUP toward the future, through the creation of new value, in keeping with its tagline “bringing innovation to all kinds of spaces.”

Cultivating human resources and fostering organizational culture

Creating an organization where diverse human resources can realize their full potential, as a prime mover for sustainable growth

I am certain that our human resources are the source of the Group’s sustainable growth. To maximize the strengths of our products and technologies, I attach the utmost importance to mindsets and actions of individual employees. Ever since I became the President of the Company, I have focused on penetration of the Group’s philosophy. As a result, now I realize that our corporate culture is gradually making a positive change. It is heartening to see our Group

Value Creation Process

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



Medium- to Long-term Management Targets

In July 2021, the Group announced the "SUMINOE GROUP WAY 2022-2024-2027 (hereinafter SGW)," which spans six years in two phases and is already under way. In the first three years of the SGW, we have steadily worked to "sow the seeds" for the future. In June 2024, we started SUMINOE GROUP WAY 2025-2027 STEP II (hereinafter "SGW STEP II"), which is positioned as a period in which we will steadily raise the level of our true capabilities.

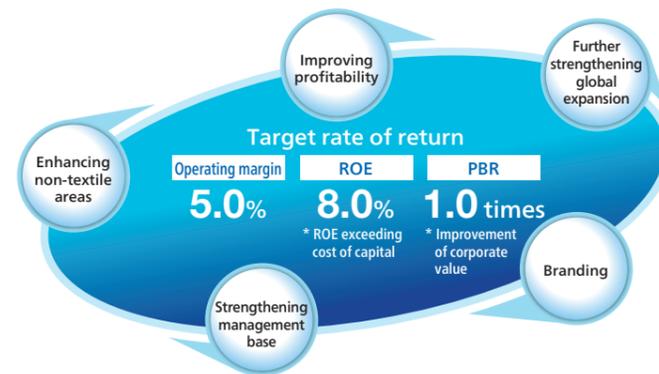
Currently, the Automotive Textiles business is being significantly affected by production cuts and withdrawals by Japanese automakers in China, and uncertainty is further growing about the outlook for the global economy, triggered by the shift to protectionist policies by the U.S. administration. However, there are signs that our sales promotion activities toward overseas automakers are beginning to bear fruit, and we have plans to return the Functional Materials business to the black. For these reasons, the Company has decided to maintain our current plans and target rates of return for the final fiscal year ending May 31, 2027, which is the final year of SGW STEP II.

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

Policy of SGW STEP II (2025–2027)

Priority themes

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



Specific initiatives

<p>Improving profitability By focusing on growth businesses and strengthening existing businesses, we aim to secure a stable revenue base and continuously improve profitability.</p>	<ul style="list-style-type: none"> A stable supply of high-quality products that meet customer needs from the synthetic leather plant newly established at our Mexican subsidiary. (Automotive Textiles) Differentiation through unique decorative fabric business. (Automotive Textiles) Proposals and responses, such as emergency escape ladders, to railway companies for them to strengthen safety and disaster prevention measures. (Traffic Facilities) Expand the lineup of value-added products for the medium- to high-end range and create a new series of them to increase customer appeal. (Interior Fittings) Increase the market share of ECOS®, eco-friendly carpet tiles under the horizontal recycling system, with an appealing environmental profile. (Interior Fittings) 	<ul style="list-style-type: none"> Focus on high added value areas by revising the product portfolio. (Interior Fittings) Develop and promote sales expansion of summer home appliances. (Functional Materials) Maximize synergy effects through cross-departmental collaboration. (all our business) Implement price pass-through activities to secure appropriate profits and build a sustainable supply chain. (all our business) Improve productivity through capital investment and restructuring and streamlining of production systems. (all our business)
<p>Further strengthening global expansion By increasing diversity and updating our global strategy, we will increase our presence in overseas markets.</p>	<ul style="list-style-type: none"> Strengthen coordination between domestic and overseas bases and expand sales channels to foreign-affiliated automakers through participation in overseas exhibitions and presentations. (Automotive Textiles) Strengthen cost competitiveness and optimize the global supply system by restructuring the production system at our Vietnam base. (Automotive Textiles and Functional Materials) 	<ul style="list-style-type: none"> Build a structure to expand sales of interior products globally. (Interior Fittings) Hire and develop global human resources. (throughout the Group) Utilize the career self-declaration system. (throughout the Group)
<p>Enhancing non-textile areas We will further evolve the core technology that we have cultivated in the textile field while focusing on developing non-textile products and increasing orders for them.</p>	<ul style="list-style-type: none"> Develop new materials utilizing the synthetic leather plant newly established in our Mexican subsidiary. (Automotive Textiles) Expand the filter product lineup by adding new functions such as freshness preservation. (Functional Materials) 	<ul style="list-style-type: none"> Achieve differentiation from competitors by developing and expanding products and services that provide new added value, such as synthetic leather and space design business. (all our business)
<p>Strengthening management base By promoting sustainability management and strengthening corporate governance, we will increase transparency and reduce the cost of capital.</p>	<ul style="list-style-type: none"> Develop and secure human resources to support the growth of the Group. (throughout the Group) Reduce cross-shareholdings. (throughout the Group) 	<ul style="list-style-type: none"> Restructure core systems. (throughout the Group)
<p>Branding In order to increase awareness of "SUMINOE" both in Japan and overseas, we will continue to actively promote measures to strengthen branding while strengthening our overall corporate capabilities.</p>	<ul style="list-style-type: none"> Strengthen the competitiveness of the SUMINOE brand under the leadership of the Brand Strategy Department. (Interior Fittings) Strengthen cooperation within the Group through cross-departmental exchanges. (throughout the Group) Place corporate brand advertisements. (throughout the Group) 	<ul style="list-style-type: none"> Enhance awareness and penetration of the Group's philosophy and management policy using internal branding strategies. (throughout the Group) Increase visibility of company logos through business tools, etc. (throughout the Group)

Consolidated income and expenditure plan and results

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

	2024	2025	2026	2027	STEP I and STEP II comparison of final year	
	Actual	Actual	Plan at the beginning of the FY	Plan	(%)	(Amount)
Net sales	103,478	104,791	105,000	109,000	+5.3%	+5,521
Operating income	3,300	3,001	3,100	5,000	+51.5%	+1,699
Operating margin	3.2%	2.9%	3.0%	4.6%		
Ordinary income	3,668	2,514	3,350	5,000	+36.3%	+1,331
Profit attributable to owners of parent	874	669	1,500	2,600	+197.3%	+1,725
Exchange rate Yen to 1 USD	145.31	152.60	144.00	125.00		

Net sales by base

(Million yen/FY ended/ending May 31)

	2024	2025	2026	2027	STEP I and STEP II comparison of final year	
	Actual	Actual	Plan at the beginning of the FY	Plan	(%)	(Amount)
Net sales	103,478	104,791	105,000	109,000	+5.3%	+5,521
Japan	67,793	69,507	69,400	73,000	+7.7%	+5,207
North and Central America	18,469	19,060	19,900	18,700	+1.2%	+230
China	8,098	7,285	6,300	7,900	-2.5%	-198
Asia	9,116	8,937	9,400	9,400	+3.1%	+282

Responses to Achieve Business Management with an Awareness of Capital Cost and Share Prices

Analysis of current situation

Cost of equity 5–7%

Calculation method used at the time of SGW STEP II formulation
... Calculated using CAPM, risk-free rate (approx. 1.0%) + beta value x market risk premium (approx. 6.0%)
The risk-free rate is based on domestic long-term interest rates, and the beta value is calculated in-house.

ROE 2.1% (FY2025 results)

PBR 0.5 times (FY2025 results)

ROE continues to remain below cost of capital, and PBR continues to be below 1.0 times.

During the consolidated fiscal year ended May 31, 2025, in the Automotive Textiles business, at North and Central American bases, the deterioration of production efficiency due to fluctuations in the production plans of automakers has lasted longer than expected, and in addition, affected by the struggles of Japanese automakers in sales in China, the profits at each stage fell below the initial plan. The Company aims to achieve an ROE that exceeds the cost of equity during the period of SGW STEP II. However, the actual ROE was 2.1% due to the factors mentioned above.

In a situation where the market environment surrounding the Automotive Textiles business is becoming increasingly uncertain, we recognize that in order to achieve a level of ROE that exceeds the cost of equity going forward, the most important task is to first improve the operating margin of our core business under SGW STEP II. In addition, we believe it is also necessary to curb the cost of capital.

Policy on shareholder returns

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

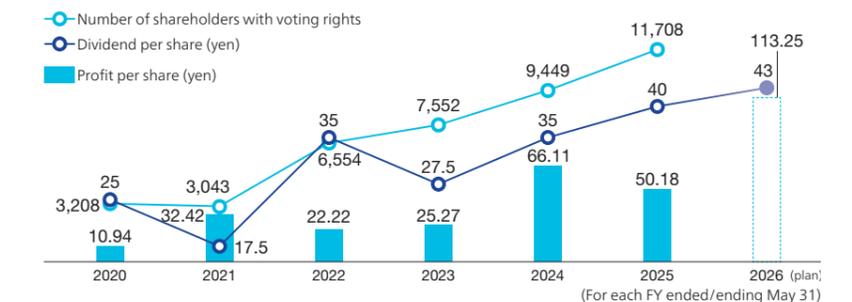
The Company considers that the reduction of investment units is an effective measure to enhance stock liquidity and further expand the investor base. The Company therefore conducted a 2-for-1 stock split of its common stock, effective March 1, 2025.

Stable shareholder returns

- Dividends are basically paid twice a year, as interim and year-end dividends.
- Except in unforeseen circumstances, such as a sudden deterioration in the business environment, dividends will be maintained at a minimum of 35 yen per share.

Continuous expansion of returns

- The payout ratio will be raised from 33% to 38%. We aim at an annual dividend of 70 yen for FY2027.
- We will continue to offer a shareholder special benefit plan that includes our own products.



* Figures for the dividend per share and the profit per share for FY2025 and earlier have been adjusted to reflect the stock split.

Enhancing IR activities * Related to p. 71

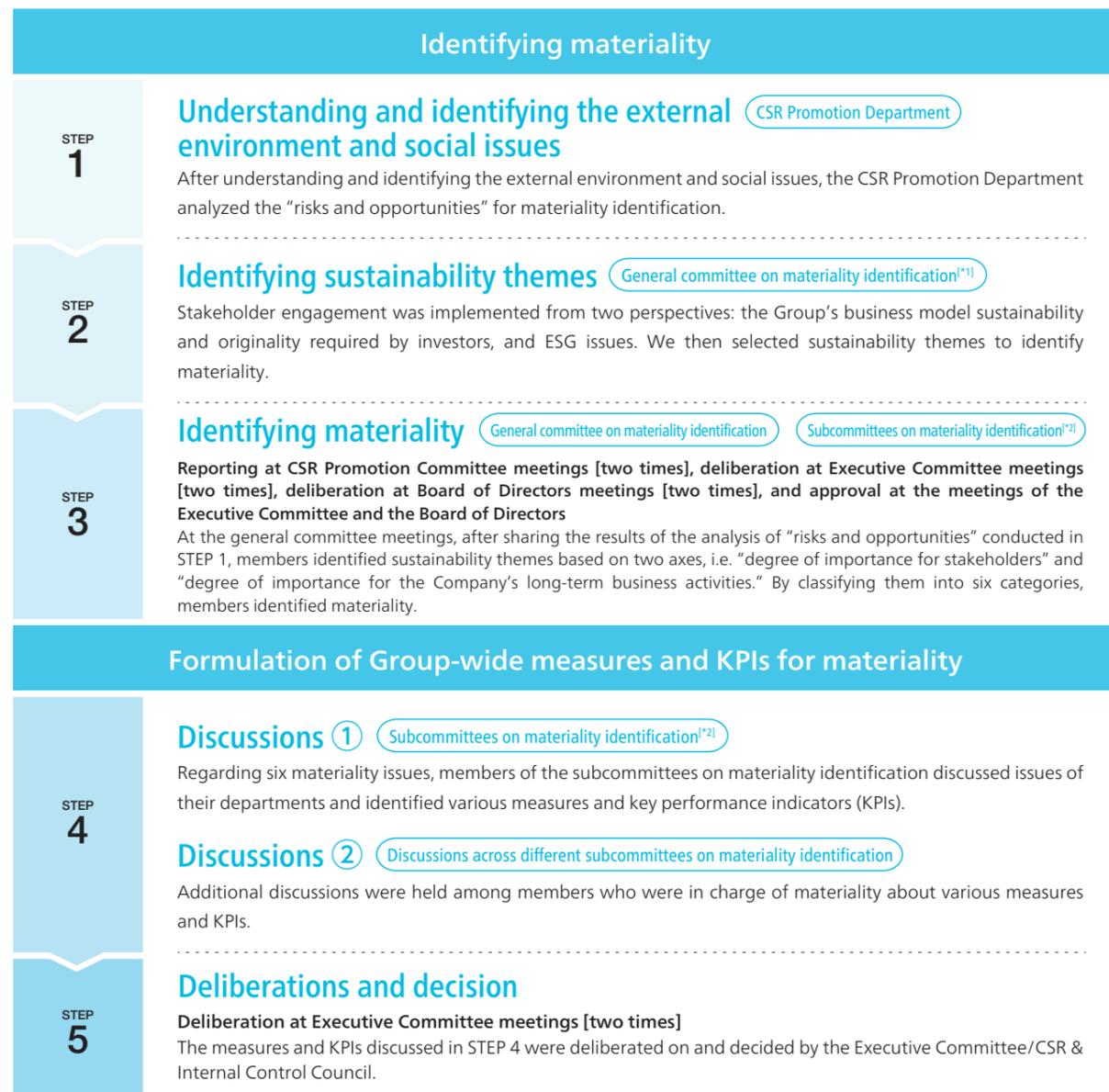
The Company is actively engaged in constructive dialogue with its shareholders and investors in order to achieve sustainable growth of the Group and improve its corporate value over the medium to long term, as well as to foster market understanding. In the fiscal year ended May 31, 2025, in addition to holding financial results briefings twice a year, the President gave company briefings for individual investors, and the officer in charge of investor relations held one-on-one meetings with institutional investors. In addition to timely disclosure, in order to promote constructive dialogue, we also focus on disseminating IR-related information by, for example, using sponsored reports that provide information from a neutral standpoint and transcription services for financial results briefings held for institutional investors. Also, by increasing opportunities to communicate with shareholders and investors, such as extensive information disclosure, one-on-one interviews, and company information briefings, we will continue to work to gain greater understanding of the Group and ensure transparency.

Materiality

Amid the increasing significance of sustainability in corporate activities, in June 2024, the SUMINOE GROUP identified six materiality issues, in line with the Basic Policy on Sustainability and Related Policies and the Group Philosophy. The objective was to create medium- and long-term value by considering both the importance for stakeholders and the importance for the Company's long-term business activities.

One characteristic of the Group's materiality is that it includes "Provision of valuable products and services" as an item in the category of Value creation/Revenue opportunities, in addition to ESG issues. This item reminds us of the issues to be addressed regarding sustainability and originality of the Group's eco-friendly products and sustainability-related businesses as a whole. We believe that it will lead to improving our competitive advantage, helping enhance our corporate value.

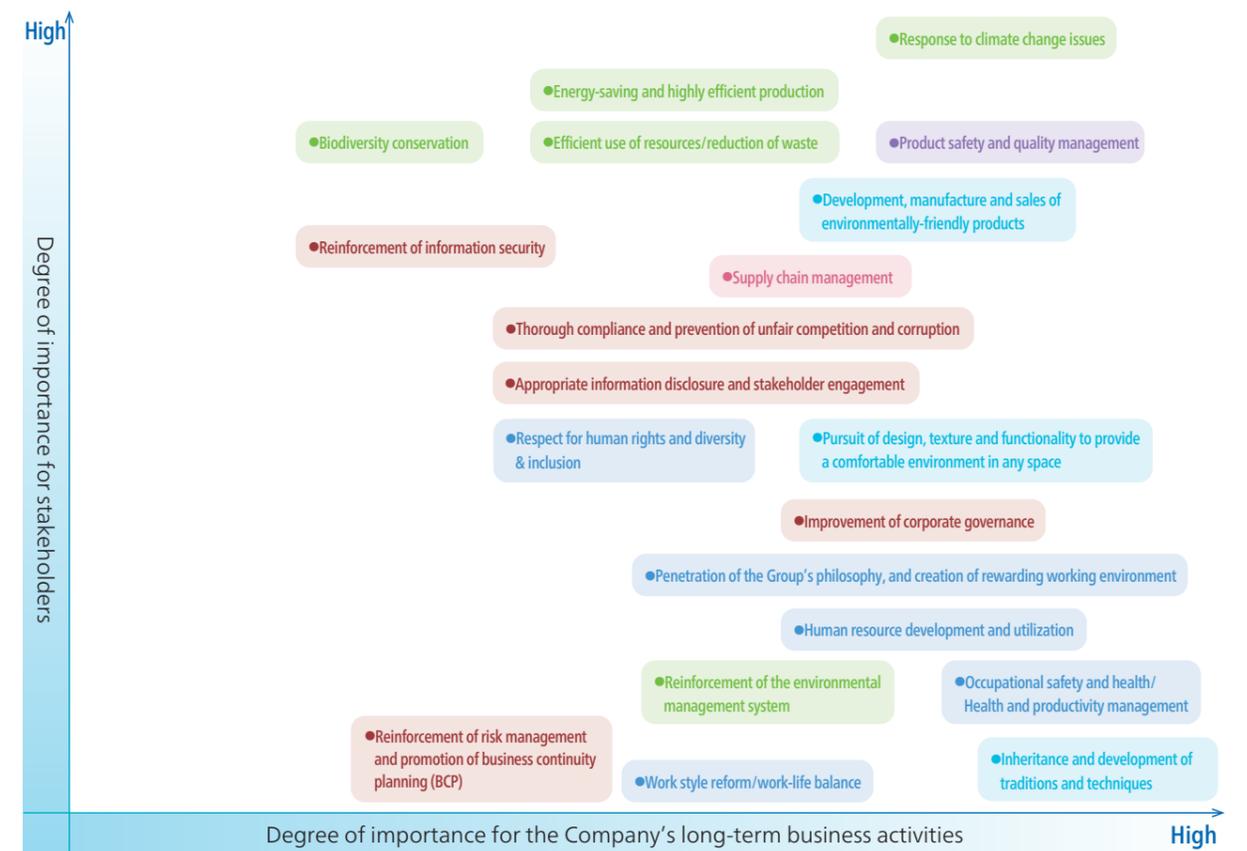
Process for Identifying Materiality



[*1] General committee on materiality identification
The general committee comprised representatives of Headquarters & Administration Headquarters, division managers of respective business headquarters, and relevant managers, with the CSR Promotion Department serving as the secretariat.

[*2] Subcommittees on materiality identification
These subcommittees consisted of members from main departments in the materiality identification committee. Each subcommittee was designed to hold discussions on one of the six materiality issues.

STEP 2 Identified sustainability themes



STEP 3 Six materiality issues identified



Issues for the future

While promoting understanding and penetration of materiality, we strive to develop a method of compiling KPIs and establish an in-house system.

Materiality List

Category	Materiality (key issues)	Themes	Targets	Major initiatives	Progress and monitoring indicators (KPIs)	Targets for FY2025 (FY ended May 2025)	Results for FY2025	Targets for FY2027 (FY ending May 2027)									
Value creation/Revenue opportunities	Improve the social value of the SUMINOE brand through innovation. Provision of valuable products and services	<ul style="list-style-type: none"> Pursuit of design, texture and functionality to provide a comfortable environment in any space Inheritance and development of traditions and techniques Development, manufacture and sales of environmentally-friendly products 	<ul style="list-style-type: none"> Develop functional products that meet social needs, products that are beneficial for health, and high added-value products. Promote space proposal business. Strengthen the SUMINOE brand. 	<ul style="list-style-type: none"> Strategically utilize and protect intellectual property. Create new value (new products) by improving and integrating core technologies. Expand non-textile-related businesses and the space design business(*). Increase awareness of the SUMINOE brand. (* The space design business aims to materialize our customer's requests at a higher level by expanding the business domain to the planning and design of the whole "space," not limiting it to production, sale and proposition of products that color the "surface." 	<ul style="list-style-type: none"> Number of applications for patents, utility model rights, and design rights Synergetic effects, including sales growth of the space design business Dissemination of the SUMINOE brand Development of human resources who will take over tradition, technologies and manufacturing (OJT and training) 	<ul style="list-style-type: none"> 15 or more applications Several cases Website, social media, exhibitions, advertisements, promotion, and dissemination through various media Automotive Textiles Business Headquarters held the design presentation titled "Liberate: Freedom from time and space constraints" 14 times in Japan and 2 times overseas. Design presentation, etc. Several times, as needed 	<ul style="list-style-type: none"> 16 patent applications, 5 design applications Several cases Websites, social media, exhibitions, advertisement, promotion and dissemination through various media. Automotive Textiles Business Headquarters held the design presentation titled "Liberate: Freedom from time and space constraints" 14 times in Japan and 2 times overseas. Several times, as needed (See p. 48.) 	<ul style="list-style-type: none"> 15 or more applications Several cases Websites, social media, exhibitions, advertisement, promotion and dissemination through various media. Several times, as needed 									
									<ul style="list-style-type: none"> Reduce CO₂ emissions throughout the product life cycle. Contribute to a recycling-based society. Create environmentally friendly products through new technology development. 	<ul style="list-style-type: none"> Continue to supply interior materials to historic and renowned buildings. Hand down manufacturing techniques and expertise to the next generation. Maintain orders for and manufacture of traditional craft, and collaboration with the regional industry. 	<ul style="list-style-type: none"> Number of eco-friendly products obtaining the EPD, a third-party verification Number of new eco-friendly technologies Number of new items of eco-friendly products 	<ul style="list-style-type: none"> 11 items of carpet tiles 1 2 items 	<ul style="list-style-type: none"> 0 items of carpet tiles 1 2 items 	<ul style="list-style-type: none"> 4 items of carpet tiles 1 3 items 			
									<ul style="list-style-type: none"> Response to climate change issues Energy-saving and highly efficient production Efficient use of resources/reduction of waste Reinforcement of the environmental management system Biodiversity conservation 	<ul style="list-style-type: none"> Reduce greenhouse gas emissions in business activities. Reduce energy consumption. Use renewable energy. Reduce greenhouse gas emissions (Scope 1-3). Promote utilization of recycled resources, waste reduction, etc. Strengthen the system through the Environmental Promotion Subcommittee, training, acquisition of certifications, etc. Implement training and classroom lectures regarding biodiversity. 	<ul style="list-style-type: none"> Reduction rate of Scope 1 & 2 emissions per unit of sales (compared with FY2024 levels) Increase in utilization rate of recycled resources (compared with FY2024 levels) Reduction in the amount of industrial waste generated (compared with FY2024 levels) Number of implemented training sessions regarding decarbonization and CO₂ emissions [*1] 7 bases of 7 overseas companies, [*2] 9 bases of 8 companies in Japan 	<ul style="list-style-type: none"> Reduce by 1.0%. Increase by 1.0%. Reduce by 1.0%. [*1] 1 	<ul style="list-style-type: none"> Reduced by 2.0%. Decreased by 1.4%. Reduced by 1.6%. [*1] 1 	<ul style="list-style-type: none"> Reduce by 3.0%. Increase by 3.0%. Reduce by 3.0%. [*2] 1 			
Society	We will create an organizational culture where diverse human resources can work with motivation and thrive in a safe, secure environment. Human resources strategy	<ul style="list-style-type: none"> Respect for human rights and diversity & inclusion Human resource development and utilization Penetration of the Group's philosophy, and creation of rewarding working environment Occupational safety and health/Health and productivity management Work style reform/work-life balance 	<ul style="list-style-type: none"> Respect human rights and prevent of all forms of harassment. Ensure fair and non-discriminatory treatment in all aspects of employment. Create an organizational culture that embraces diversity. Develop next-generation leaders, global human resources, and digital transformation personnel. Ensure optimal allocation of personnel within the Group. Revitalize human resources through optimal personnel allocation and ideal evaluation systems that meet changes in society. Enhance awareness and penetration of the Group's philosophy and management policy using internal branding strategies. Improve the Group's overall strength through inter-departmental communication. Improve employee engagement. Prevent workplace accidents. Maintain employee health. Improve employee well-being and productivity by supporting flexible working styles. 	<ul style="list-style-type: none"> Promote human rights due diligence and human rights education. Promote women's participation. Develop an environment and system that accept and respect diversity. Implement human resources training and digital transformation education. Optimize the human resources portfolio. Review personnel and evaluation systems in response to environmental changes. Implement training on the Group Philosophy. Implement omni-directional communication. Improve employee engagement. Assure the safety of employees and promote their health. Implement the Working Style Reform Action Plan. 	<ul style="list-style-type: none"> Number of implemented training sessions regarding human rights and harassment [Group companies in Japan] Ratio of female managers <5.1% in FY2024> [Group companies in Japan] Hours of personnel training (average training hours per employee) [Group companies in Japan] Revision of personnel and evaluation systems Rate of attendance in the Group Philosophy training [*1] Group companies in Japan, [*2] Overseas Group companies Number of bases receiving visits for Management by Walking Around [*3] [*3] An approach that encourages interactive communication between senior management and employees Number of Tsunagu-wa-cation [*4] and Tsunagu meetings (backup meetings) [*5] held [*4 and 5] Activities under the keyword "Tsunagu (lit. connect)," intended to promote communication transcending the boundaries of Group companies. Questionnaire Survey on Workplace Comfort Employee engagement indexes Managers: 3.10, general employees: 2.70 (The above indexes are based on scales up to 4.) <FY2024 results> Number of serious occupational accidents Use rate of annual paid leave [Group companies in Japan] Rate of male employees taking childcare leave [Group companies in Japan] 	<ul style="list-style-type: none"> 1 item 5.5% Understand the hours and establish the definition. Make preparations. [*1] 100% 10 [*4] 3, [*5] 2 - (Held every two years) 0 70% or more 100% 	<ul style="list-style-type: none"> 1 item 5.7% Held training for Personal Dept. of SUMINOE and for supervisors of administration depts. of Group companies (including correspondence courses) Newly added a field for writing the mission of individuals to the target management sheet. [*1] 100% 10 [*4] 4, [*5] 2 - (Held every two years) 0 57.4% 90.9% 	<ul style="list-style-type: none"> 1 item 6.0% Set targets (for FY2026). Revise the systems. [*2] 100% The number of bases will be specified in the plan. [*4] 3, [*5] 2 Increase by 0.03 points. <FY2026> 0 70% or more 100% 									
									<ul style="list-style-type: none"> Product safety and quality management 	<ul style="list-style-type: none"> Comply with laws and regulations and fulfill supplier's responsibility. Improve product safety and quality. Comply with our own quality standards and customer requirements. Conduct appropriate management of chemicals and hazardous substances. Provide safety information about products and services. 	<ul style="list-style-type: none"> Construct quality management system and develop quality personnel. Conduct internal audits of product safety and quality by rotation. Implement green procurement. Provide accurate and clear information about our products and services. 	<ul style="list-style-type: none"> Number of violations of laws and regulations Number of departments undergoing internal audits by rotation 	<ul style="list-style-type: none"> 0 15 	<ul style="list-style-type: none"> 0 15 audited + 4 reaudited 	<ul style="list-style-type: none"> 0 The number of departments will be specified in the audit plan. 		
									<ul style="list-style-type: none"> Supply chain management 	<ul style="list-style-type: none"> Realize sustainable procurement. 	<ul style="list-style-type: none"> Penetrate sustainable procurement to suppliers. 	<ul style="list-style-type: none"> Sustainable procurement "agreement" (conclusion rate) and "questionnaires" (response rate) (collection rate) [*1] Applicable suppliers of 5 Group companies in Japan [*2] Applicable suppliers of 13 Group companies in Japan <FY2026>[*3] Applicable suppliers of 13 overseas Group companies <FY2027> 	<ul style="list-style-type: none"> [*1] 80% 	<ul style="list-style-type: none"> [*1] Agreement: 80.6% Questionnaires: 81.7% 	<ul style="list-style-type: none"> [*2/*3] 80% 		
									Governance	We will build a foundation of corporate trust by ensuring transparency. Enhancement of governance	<ul style="list-style-type: none"> Improvement of corporate governance Thorough compliance and prevention of unfair competition and corruption Reinforcement of risk management and promotion of business continuity planning (BCP) Reinforcement of information security Appropriate information disclosure and stakeholder engagement 	<ul style="list-style-type: none"> Implement highly effective corporate governance. Implement corporate activities with an emphasis on compliance. Establish group governance. Improve resilience by identifying, analyzing and assessing risks and taking measures to mitigate them. Prevent disasters and accidents. Prepare BCP for events such as a disaster or pandemic. Recognize information assets as important assets, and properly protect and manage these assets. Disclose the Company's financial and non-financial information in a timely manner in accordance with laws, regulations and rules. Promote understanding of the Company through dialogue with shareholders and investors. 	<ul style="list-style-type: none"> Responses to disclosure of the Corporate Governance Code Optimize the structure of the Board of Directors and realize its diversity. Establish and manage succession planning. Evaluate the effectiveness of the Board of Directors. Support outside directors in understanding our worksite situations and obtaining information. Hold compliance training for employees and officers. Improve the effectiveness of the whistleblowing system and announce the whistleblowing contact points for consultation. Conduct compliance audits. Compliance awareness survey Share risk issues and take countermeasures. Conduct risk assessment through internal control. Conduct activities to prevent disasters and accidents, share information in the event of such emergency, and take measures. Establish a security management system. Adhere to the security guidelines of industry groups. Increase opportunities for dialogue with investors. Disseminate our corporate value by responding to coverage and approaches of various media. 	<ul style="list-style-type: none"> Analysis and evaluation of the effectiveness of the Board of Directors and disclosure of issues Number of serious violations of laws and regulations Number of compliance training implemented [*1] Employees, [*2] Officers Number of fire drills and BCP-based personal safety confirmation drills implemented (BCP-based drills at the head office of SUMINOE Co., Ltd. and the head office of SUMINOE Interior Products Co., Ltd.) Number of serious information security accidents Number of seminars for individual investors implemented Number of one-on-one meetings with institutional investors implemented 	<ul style="list-style-type: none"> Implement 1 time. 0 [*1] According to the plan for level-based training [*2] 1 1 0 2 10 	<ul style="list-style-type: none"> Implement 1 time. 0 [*1] Implemented according to the plan for level-based training. [*2] 1 1 1 3 36 	<ul style="list-style-type: none"> Implement 1 time. 0 [*1] Implement according to the plan for level-based training. [*2] 1 1 0 2 20
<ul style="list-style-type: none"> Number of seminars for individual investors implemented 	<ul style="list-style-type: none"> 2 	<ul style="list-style-type: none"> 3 	<ul style="list-style-type: none"> 2 														
<ul style="list-style-type: none"> Number of one-on-one meetings with institutional investors implemented 	<ul style="list-style-type: none"> 10 	<ul style="list-style-type: none"> 36 	<ul style="list-style-type: none"> 20 														