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## Suminoe Textile Group CSR<sup>\*1</sup>

### **Company Purpose**

We contribute to the improvement of society through the production and sales of good products, and a prosperous business.

### **Company Motto**

We pride ourselves as a pioneer in the interior design and furnishing industry and persist in a spirit of cooperation, sincerity and determination.

### Code of Conduct

We comply with all laws and ethical business standards, and conduct corporate activities in an impartial and ethically sound manner.

We contribute to the advancement of the community through the production and sale of high-quality products.

We treat all employees of the Company fairly, act with due respect for their individual personalities, and place high importance on their health and safety.

We place high priority on maintaining good relationships with all our

We make proactive contributions to the community, as expected of a good corporate citizen.

stakeholders.

We take very seriously the impact of our business activities on the global environment, and contribute to environmental preservation initiatives.

\*1 CSR: Stands for Corporate Social Responsibility.
 \*2 Compliance: A company's process of making decisions and taking action in observance of laws and corporate ethics, so as to live up to the expectations and trust of society.

# We will promote CSR initiatives, aiming to enrich people's lives and make social contribution.

The origin of the Suminoe Textile Group's business activities dates back to when our founder opened a small hand-weaving factory in his private house during the Meiji Period (1868-1912). Inheriting the enthusiasm and spirit of our founder, who was strongly committed to high-quality manufacturing, we will strive to enrich people's lives and contribute to the development of society, by responding sincerely to social needs and challenges.

### **CSR** Activity Policy

both "CSR through Business

### CSR through **Business Operations**

- Offering products that contribute to the global environment and society, and which enrich people's lives and minds, in line with our fundamental philosophy of "KKR+A (Kenko [Health], Kankyo [Environment], Recycle
- and Amenity)" Promoting global strategies, to ensure that our products will be used by many more people, and to promote "KKR+A" around the world.

## CSR that Serves as a

- Management Foundation Establishing a fair and highly
- system. Ensuring thorough compliance\*2 to conduct corporate activities
- Supporting employees to develop themselves through worthwhile work, while giving consideration to the creation of an employee-friendly environment and the diversity of employees.

transparent governance

with a high sense of ethics.

Based on our CSR activity policy, we work to provide value to our stakeholders as described below. In doing so, we will establish favorable relationships with our stakeholders, and contribute to the global environment, thereby fulfilling our responsibilities to the next generation.

	Customers	We will strive to sincerely respond to our customers, by earnestly listening to their voices. Taking great pleasure in creating comfortable spaces together with our customers, we aim to gain their trust. We also push forward with our quality-improvement efforts.
Majo	Suppliers	We attach great importance to our relationships with our suppliers, and work together with them to improve our customer service capabilities. We strive to conduct fair transactions on an equal footing, by selecting suppliers based on rational criteria regarding price, quality, delivery times, etc.
Major stakeholders	Shareholders and investors	By securing appropriate profits, we aim to give back to our shareholders and investors. We will also work on proactive information disclosure, through our investor relations (IR) activities.
	Residents of local communities	We will deepen exchange with people in various countries and local communities, so as to better understand their cultures and histories. At the same time, we will carry out social contribution activities.
	Employees	We will develop comfortable working environments, by respecting the individual personalities and characteristics of our employees. We will also live up to our employees' hopes to maximize their own abilities to resolve various issues and challenges.
environment	Global	We will devote our energies to developing attractive environmental products and technologies that contribute to the preservation and improvement of the global environment. Moreover, through our business operations, we will strive to decrease our impact on the environment (e.g., energy saving, resource conservation, and waste reduction).

## Venturing into New Fields, While Valuing Our 135-Year-Old Tradition and Techniques



### [Introduction]

In 2018, the final full year in the Heisei period, Japan was hit by many natural disasters, including an earthquake centered in northern Osaka Prefecture, a torrential downpour in July 2018 in western Japan, Typhoon No. 21 (Jebi), and the Hokkaido Eastern Iburi earthquake. We would like to express our deepest condolences to those who lost loved ones in these disasters, and also offer our heartfelt sympathy to all who were affected. Since its founding in 1883, Suminoe Textile Co., Ltd. has continued business operations, while overcoming many hardships, such as natural disasters, world war, and economic crises, thanks to generous support provided by many people. Now we recognize anew the importance of disaster risk management. To enhance disaster preparedness, Suminoe Textile Co., Ltd. has established its business continuity plan (BCP) focusing on collecting information regarding employees' personal safety and damage caused by the disaster, etc., and has held emergency drills in which participants confirm the personal safety information following the in-house emergency contact rules based on the BCP. The entire Suminoe Textile Group has strived to strengthen measures to respond to disaster situations, to ensure that we can disseminate relevant information to customers in a speedy and accurate manner, while also confirming the safety of employees and their families.

### [5th Three-Year Medium-Term Management Plan "2020"]

In June 2017, the Company launched the 5th three-year medium-term management plan "2020," formulated with the two themes: the restructuring of corporate governance, and the growth of business.

### Restructuring of corporate governance

We attach the greatest importance to establishing a system under which management executives and employees closely work together to address various problems, through information sharing and interactive communication. Specifically, we have integrated the formats for weekly and monthly reports to enable everyone to understand issues from the same perspective, and implemented "management by walking around," in which management members visit each site to exchange opinions with employees. At the same time, the Questionnaire Survey on Workplace Comfort and the Workplace Environment Improvement Project by Mid-Career Employees are being conducted, with the aim of creating a more open corporate culture. Furthermore, the Suminoe Textile Group promotes the restructuring of its core operation system on a global basis, to ensure that we can timely grasp information on income and expenditure, inventory status, and the like, and make effective use of such data for business judgments.

### Growth of business

To grow our businesses, we are tackling three themes: expansion of product lineups, strengthening of our response to globalization, and development and sales of high value-added products. Focusing on production and sales of carpets and seat coverings for automobiles and traffic facilities as our core business, we are working to develop new products and aggressively expand overseas. As part of our efforts to strengthen our response to globalization, in April 2018 we launched a car mat production business in Chiang Mai, Thailand. In terms of the automotive textile business, the Suminoe Textile Group has now established 12 manufacturing and sales sites in six countries. In the future, we will continue to enhance our international competitiveness, by establishing a globally optimized supply system.

### [Environmental Protection Activities]

In 1980, the Company released Japan's first carpet tiles, which attracted much attention as an epoch-making product at that time, and which became widely used in offices and other places. When first released, these carpet tiles employed asphalt as the backing material. With progresses in technology, later carpet tiles using polyvinyl chloride (PVC) for their backing material emerged, and these products are now in the mainstream of carpet tiles. However, after becoming no longer useful, conventionally these carpet tiles have had no alternative other than disposal in landfills. In response to increasing public environmental awareness around the globe, the Company undertook the development of products that are friendlier to the environment.

After much trial and error, in 2011 Suminoe Textile developed and released the ECOS® series of recycled carpet tiles produced under a "horizontal recycling" system, incorporating our proprietary technology. ECOS® makes effective use of recycled powder, which is a recycled polyvinyl chloride compound extracted from used carpet tiles, achieving a post-consumption recycled material usage rate of up to 84%. In conjunction with such a high rate, unprecedented in the world,  $ECOS_{\circledast}$  has also attained the same cost performance level as conventional products, with its design earning high acclaim.

As stated above, we have established a "closed-loop recycling" system, which recycles resources into the same products through repeated circulation from production to use and on to recycling. This exemplifies our commitment to production living up to the responsibilities as a manufacturer. Going forward, the Suminoe Textile Group continues to embrace new challenges, in keeping with its fundamental development philosophy of "KKR+A (*Kenko* [Health], *Kankyo* [Environment], Recycle and Amenity)."

### [Tradition and Future Challenges]

For over 135 years since its founding, the Suminoe Textile Group has conducted business operations as a pioneering manufacturer in the Japanese interiors industry by offering comfortable spaces to help people enjoy a high quality of life. Recently we have been vigorous in further promoting global expansion and in broadening our scope of operations to include non-textile businesses, such as the field of olefin materials for bathroom flooring.

While continuing to venture into new fields, Suminoe Textile continues to supply hand-woven carpets and other artistic textile products for various buildings, including the National Diet Building and State Guest Houses, where the essence of Japanese traditional arts and crafts is concentrated. We believe that preserving and refining these traditional techniques for hand-weaving—the original business of Suminoe Textile and that constitutes an historical industry of Japan—is part of the cultural contributions that our Company should make.

In the future, the Suminoe Textile Group remains committed to growing as an enterprise whose presence is necessary for the realization of a sustainable society.

December 2018

Chairman and President suminoe Textile Co., Ltd.

## Contents









Suminoe Textile Group CSR					
Top Messag	Top Message				
Corporate Summary					
Group Overview	Suminoe Textile Group's Products	07			
	Operation Sites of the Suminoe Textile Group	09			
Feature 1	Technologies and Quality the Suminoe Textile Group is Proud to Offer	11			
Feature <sup>②</sup>	In Focus: Training for New Employees	15			
Corporate G	Sovernance and CSR Promotion System	17			
FY 2017 Results of CSR Activities					
1 1 2017 Kes	Suits of CSR Activities	1)			
	Prevent Recurrence				
Initiatives to		21			
Initiatives to	o Prevent Recurrence or the Three Projects	21 23			
Initiatives to Efforts unde Together wi	o Prevent Recurrence or the Three Projects ith Together with Our Customers	21 23 25			
Initiatives to Efforts unde Together wi	o Prevent Recurrence or the Three Projects ith Together with Our Customers (Delivery Track Records)	21 23 25 29			
Initiatives to Efforts unde Together wi	o Prevent Recurrence or the Three Projects ith Together with Our Customers (Delivery Track Records) Together with Our Employees Together with Our Suppliers/ Risk Management tal	21 23 25 29 33			
Initiatives to Efforts unde Together wi Society Environment	o Prevent Recurrence or the Three Projects ith Together with Our Customers (Delivery Track Records) Together with Our Employees Together with Our Suppliers/ Risk Management tal	21 23 25 29 33 35			
Initiatives to Efforts unde Together wi Society Environment	<ul> <li>Prevent Recurrence</li> <li>Together with Our Customers (Delivery Track Records)</li> <li>Together with Our Employees</li> <li>Together with Our Suppliers/ Risk Management</li> <li>Under the Slogan of KKR+A</li> <li>Fourth Medium-Term Activity Goals</li> </ul>	19 21 23 25 29 33 35 37 38			

History Column / Editorial Postscript

### Period Covered

Fiscal year 2017 (From June 2017 to May 2018) (Some activities undertaken outside the above period are included.)

### Scope of the Report

Suminoe Textile Co., Ltd. and its consolidated subsidiaries in Japan and overseas. However, the scope varies according to the items reported.

Referenced Guidelines ISO26000 Guidance on Social Responsibility

Date of Publication December 2018 (The next report will be published in December 2019.)







42



## **Corporate Summary**

- Name of Company
- Head Office
- Founded
- Incorporated
- Organizational Change
- Capital (As of May 31, 2018)
- Number of Employees
- (As of May 31, 2018)
- Lines of Business

11-20, Minami-Semba 3-Chome, Chuo-ku, Osaka 542-8504 Japan 1883 December 25, 1913 (Suminoe Textile Joint-Stock Company) December 26, 1930 (Suminoe Textile Co., Ltd.) 9,554,000,000 yen

251 employees (Consolidated group companies : 2,850 employees)

Suminoe Textile Co., Ltd.

[Automotive textiles and traffic facilities business] Interior materials for automobiles, buses, trains, aircraft, etc.

[Functional materials business] Electric carpets, deodorization-related products

Changes in the number of employees



FY2015 FY2016 FY2017 FY2018

2 553

### Suminoe Textile Group Three-Year Medium-Term Management Plan "2020"

During the period of this management plan, we will promote business activities in line with the following priority themes.

(Planned period: June 2017-May 2020)



[Interior fittings business] Carpets, curtains, wallpaper, flooring materials, etc.



Consolid	Consolidated numerical targets (Unit: Millions of yen)						
Net sale	Net sales Operating income						
	5th Three-Year Medium-Term Management Plan "2020"						
96,038	3 97	7,500	100,000	) 1	02,000		
1,2	297	2,800	3,1	00	3,45	0	
FY20	17 F	Y2018	FY20	19	FY202	0 Result	

ariaal targate (Unit Millions of alidated

		Management Plan "2020"					
	FY2017	FY2	018	FY2019	FY2020		
	Result	Result Versus plan				Target	Target
Net sales	96,038	97,872	372	100,000	102,000		
Operating income	1,297	2,247	△553	3,100	3,450		
Ordinary income	1,364	2,358	△592	3,350	3,750		
ROE	0.1%	3.2%	△1.3%	5.5%	6.0%		

### Group Overview

## Suminoe Textile Groups' Products

Ever since 1891 when its carpets were supplied to the Imperial Diet Building on the occasion of its opening, the Suminoe Textile Group has contributed to modernization of lifestyles as a pioneering manufacturer in the Japanese interiors industry.

We are committed to manufacturing environmentally-friendly products that feature both excellent design and functionality, and serving diverse customers by offering a wide variety of interior products for public buildings, office buildings, public transportation systems, as well as for general households.









Wallpaper

















Seat coverings





Car mats





Plush hand-woven curtains



Nishijin brocade fabric Hand-woven carpets and hooked rugs





### unctional Materials

Suminoe Textile Group CSR Report 2018 08

## **Operation Sites of the Suminoe Textile Group**



### Major Overseas Affiliated Companies

- ① Suminoe Textile of America Corporation (STA) South Carolina (United States)
- ② Suminoe Textile of America Corporation C.A. Design California (United States)
- 3 Bondtex.Inc.
- South Carolina (United States)
- ④ Suminoe Textile de Mexico, S.A. de C.V. (STM) Irapuato (Mexico)
- 5 SPM Automotive Textile Co., Ltd. Guangzhou (China)
- 6 Suzhou Suminoe Koide Automotive Accessories Co., Ltd. (SSK) Suzhou (China)
- Suminoe Textile Shanghai Co., Ltd. (STS) Shanghai (China)
- Suzhou Suminoe Textiles Co., Ltd. Suzhou (China) \*Production of electric carpets and air filters
- 9 T.C.H. Suminoe Co., Ltd. (TCHS) Ayutthaya (Thailand)
- Image: Bandung (Indonesia)
- III PT. Sinar Suminoe Indonesia (SSI) Bandung (Indonesia)
- 10 Suminoe Teijin Techno Krishna India Pvt. Ltd. (STK) Gurgaon (India)
- ③ Suminoe Koide (Thailand) Co., Ltd. Chiang Mai (Thailand)

### Establishment of a manufacturing factory of car mats in Thailand]

Suminoe Koide (Thailand) Co., Ltd. was set up as a manufacturing factory of car mats, to enhance our competitiveness in the Thai market. Since handicrafts are thriving in the Sankampaeng district, Chiang Mai Province in northern Thailand, the location is well suited for the mat manufacturing business. Also, since the factory is located close to the border with Myanmar and Laos, we are working together with employees of various nationalities. By applying the expertise in mat production that we have accumulated so far, we strive to improve the production efficiency of the factory.



### Offices/Factories of Suminoe Textile Co., Ltd. and Major Affiliated Companies in Japan

- Head Office (Osaka City)
- Tokyo Branch (Tokyo)
- Nara Factory (Ikoma-gun, Nara Prefecture)
- Shiga Factory (Koka City, Shiga Prefecture)
- Kyoto Traditional Art and Craft Factory (Kyoto City) Sapporo Sales Office
- (Sapporo City, Hokkaido Prefecture) Sendai Sales Office
- (Sendai City, Miyagi Prefecture)
- East Tokyo Sales Office (Wako City, Saitama Prefecture)
- West Tokyo Sales Office
- (Isehara City, Kanagawa Prefecture)
- Nagoya Sales Office
- (Nagoya City, Aichi Prefecture) Hiroshima Sales Office (Hiroshima City)
- Fukuoka Sales Office (Fukuoka City)
- **SUMINOE Co., Ltd.** (Osaka City)
- Planning and sales of interior products, mainly carpets and curtains RUNON CO., LTD. (Tokyo)
- Planning and sales of interior products, mainly wallpapers
- **Suminoe Logistics Co., Ltd.** (Ikoma-gun, Nara Prefecture) Product storage, handling, processing, and delivery
- Suminoe Works Co., Ltd. (Tokyo) Installation of interior products

- Kansai Laboratory Co., Ltd. Testing and inspection services Nara Laboratory (Ikoma-gun, Nara Prefecture) and Osaka Laboratory (Matsubara City, Osaka Prefecture) **Suminoe Teijin Techno Co., Ltd.** (Osaka City) Production and sales of automotive textiles, mainly seat covering materials Marunaka Souei Co., Ltd. (Osaka City) Wholesales of traffic facilities textiles Suminoe Techno Co., Ltd. Production and processing of carpets, continuous fiber spinning (including recycling), and production and sales of non-woven fabric Nara Factory (Ikoma-gun, Nara Prefecture) and Shiga Factory (Koka City, Shiga Prefecture) Tango Textile Co., Ltd. (Kyotango City, Kyoto Prefecture) Production and sales of plush hand-woven curtains, hand-woven carpets and hooked rugs, and other rugs **Teijin Tecloth Ltd.** (Inazawa City, Aichi Prefecture) Production and sales of automotive seat covering materials, chair upholstery fabrics, and clothing textiles Owari Seisen Co., Ltd. Dyeing and finishing of automotive seat covering materials and interior fabrics Head Office (Ichinomiya City, Aichi Prefecture) and Ishikawa Factory (Nomi City, Ishikawa Prefecture) Sewing Hyogo Co., Ltd. (Tamba City, Hyogo Prefecture) Sewing and processing of fabric products
- ■…Offices/factories of Suminoe Textile Co., Ltd. ■…Affiliated companies and their sales offices/factories

Feature① Technologies and Quality the Suminoe Textile Group is Proud to Offer

## Contributing to Comfortable Lifestyles through Our Eco-Friendly Products with Enhanced Quality

The Suminoe Textile Group has continued to operate for 135 years, not only in the interior business but also in other business domains. Throughout its history, the Group has produced new products while meeting the demands of the times and customer needs, thereby contributing to enriching people's everyday lives. This feature story introduces the technologies and quality that our Group is proud to offer.





Carpets Made from Recycled Resources ECOS® recycled carpet tiles produced using horizontal recycling technology

### Toward establishing a new standard— "double-recycling"

The ECOS® series, launched in May 2011, has further evolved to become more environmentally friendly. Some ECOS® products have realized "double recycling" by reusing resources collected from the market, for both their surface and backing materials.



## Achieved the world's top-level recycled material ratio

The ratio of recycled materials in most recycled carpet tiles in the market ranges from about 25% to a little over 40%. However, ECOS® has achieved a recycled material ratio of up to 84%.\* \*In the case of ECOS® ID-8100.



#### Substantially reducing CO<sub>2</sub> emissions as compared to conventional products

The SG-500 series uses  $\exists \exists h \Box \succ \circledast$  (SUMITRON), which is made from recycled PET bottles. The lifecycle assessment (LCA) results show that the series has reduced CO<sub>2</sub> emissions by up to 43%.\* \*As compared to Suminoe's conventional products



### [Surface material]

\*In the case of ECOS® iD-8100 The iD-8100 uses ECONYL® yarns made with 100% regenerated nylon, which AQUAFIL S.p.A. has succeeded in mass producing. These yarns are produced by collecting and recycling used fishing nets, etc.



Through our proprietary recycling technology, we have realized recycling of used carpet tiles into the backing material for new products, while also achieving the same cost performance level as virgin tiles.

### Eco-friendly Yarn Made from PET Bottles スミトロン® (SUMITRON) continuous fiber made from recycled PET bottles

The continuous fiber yarn  $\exists \exists h \Box \succ \otimes$  (SUMITRON) is produced in the Shiga Factory of Suminoe Techno Co., Ltd. Made by melting and spinning polyester chips, the yarn excels in stain-and light-resistance.





Rug using スミトロン® (SUMITRON)

## Clean Indoor Air for Comfortable Everyday Life 空気を洗う壁紙® (deodorant wallpaper)

[What is 空気を洗う壁紙®(deodorant wallpaper)?] RUNON Co., Ltd., which is engaged in the planning and marketing of wallpapers and other interior products, sells 空気を洗う壁紙®, a functional wallpaper that absorbs and dissolves odor-causing substances for deodorization.

The deodorant wallpaper comes in a wide variety of patterns and colors, and therefore can find applications in various indoor spaces, ranging from general households to commercial facilities, whether newly constructed or renovated. Its lineup includes

highly functional items, such as water-repellent ones with easy maintenance, and those with great breathability.



### [Features]

### Environmentally friendly

Uses 50% chips recycled from used PET bottles

Since it is made of polyester, the yarn is stain-resistant.

### • Light- and heat-resistant

Mass pigmentation provides the yarn with excellent light- and heat-resistant properties.

### Bulked yarn

Random crimps produced through the threedimensional processing gives the yarn a bulky feel.

## スミトロン® (SUMITRON) has been certified to bear the recommendation mark of the Council for PET Bottle Recycling!

The recommendation mark of the Council for PET Bottle Recycling is an environmental label awarded to products that satisfy the prescribed requirements. For example, this mark is bestowed on products using flakes, pellets or powder recycled from the specified PET bottles used and collected in Japan, as raw materials to produce these products in part or in whole.



### [Features]

### • Use of トリプルフレッシュ® (TRIPLE FRESH), our proprietary deodorant treatment technology This technology enables a cyclic deodorization process—from absorption and decomposition to restoration. The safety of the processing chemical is confirmed based on the SEK textile product certification criteria, having passed various toxicity tests.

### ● Deodorizing mechanism unique to 空気を洗う壁紙® wallpaper

The wallpaper has a cyclical deoxidization function, using no light or electricity.



## Quality That Meets Aerospace Standards

Acquired JIS Q 9100 certification, an international quality management system standard in the aerospace field in Japan

Suminoe Textile Co., Ltd. acquired JIS Q 9100 certification for its aircraft carpet business.

Applied Standard: JIS Q 9100:2016

- Certified Organization: Osaka First Sales Department, Functional Materials Business Division and Quality Assurance Department, Suminoe Textile Co., Ltd.
- Controlling Address : 11-20, Minami-Semba 3-Chome, Chuo-ku, Osaka 542-8504 Japan, Head Office of Suminoe Textile Co., Ltd.
- Scope of Certification: Design, development, contract manufacturing, and sales of carpets for aircraft interiors

### [What is JIS Q 9100?]

JIS Q 9100 is an international quality management system standard, which includes the requirements for ISO 9001 plus additional requirements specific to the aerospace industry. JIS Q 9100 is technically equivalent to the AS 9100 standard used in the United States and the EN 9100 standard in Europe, allowing mutual certification with these American and European standards. With increasing demand for higher quality in the aerospace industry, parts suppliers are becoming required to obtain JIS Q 9100 certification.

> JIS Q 9100 ISO9001 Requirements specific **JIS Q 9001** to the aerospace industry



### [Merits of obtaining the certification]

• Raising the level of quality: To be certified, organizations work to raise the level of quality by formulating operation processes in line with the international quality management system standard and conducting continuous improvement activities. • Earning customer trust: Organizations strive to

improve customer satisfaction though high-quality and stable manufacturing. Also, the certification can help lighten the workload of these organizations' clients in conducting supplier audits. • Expansion from Japan to overseas: Information on the registered certification is shared through an international database. This increases the appeal of certified organizations to overseas customer bases, thereby expanding opportunities for receipt of orders.

### [Future task]

Taking advantage of the acquisition of JIS Q 9100 certification, the Company will intensify its quality improvement efforts, so as to satisfy the needs of customers not only in Japan but also in overseas countries, by offering more reliable products.



### Upgrading Automotive Interiors! Development of synthetic leather for automotive textiles

Against the backdrop of automotive globalization, the automotive interiors business sees increased demand for synthetic leather that can be used in combination with real leather. The Suminoe Textile Group has responded to the emerging needs by offering products with various features realized by the fusion of synthetic leather and technologies cultivated through the manufacture of fabrics.

### [Features]

### Excellent design

The combination of a smooth, soft feel and embossing, printing and various other post-processing treatments has enabled us to uncover new design needs.

### Functionality

All our synthetic leather products meet the automotive standards, whose requirements include high quality and physical properties. We can also offer items that are waterproof but moisture-permeable, as well as items having other special properties, including high stain resistance.

#### Reasonable cost and environmental performance

Compared with real leather, synthetic leather is less costly. Moreover, various types of eco-friendly synthetic leather are available. The lineup comprises items that are lighter than conventional ones, as well as items that use a smaller amount of solvent.



### Construction of a new R&D laboratory

In 2017, a new laboratory was established at the Nara Factory of Suminoe Textile Co., Ltd., allowing us to conduct our own R&D activities to develop polyurethane (PU) leather and polyvinyl chloride (PVC)

(Purposes) • Develop high-quality finished products on shorter delivery times. Improve not only design and texture, but also functional elements Accumulate technological expertise.



Development laboratory

### **P**H Film Affixed to the Train Floor to Indicate Priority Spaces PH Film—signage film used on the floors of train cars

PH Film is a signage film designed to be affixed to the floors of train cars, bearing pictograms to indicate priority

spaces for wheelchair and buggy users, etc. This film is helpful for announcing these priority spaces to passengers and calling their attention thereto.



### Features of PH Film

### Superior durability

PH Film places special focus on durability, so as not to break, peel off, wear down or become stained. To ensure safety, this film is also designed to prevent people from tripping on it and falling down. In addition, PH Film can remain highly stain-resistant even after a long period of use.



### o Measure Biological Information in a More Comfortable Manner Initiatives under way to develop fabric electrodes for biological information measuring sensors

We continue to promote the development of fabric electrodes that can measure biological information, such as heartbeat and myoelectric signals, by combining our skills to search for electricity-conducting yarns and skin-friendly materials with our expertise in manufacturing and processing textiles.

### Fabric electrodes that are friendly to the human skin

Biological information can be obtained from weak changes in electrical potential in the human body. In general, conductive gel is used to measure biological information. Although this method may be used for short-time measurement of a small area, it is not suited for long-time measurement.

We have recently developed technologies for creating a conductive fabric made of metal-plated fiber, and for nanoscale processing of materials whose surface is less irritating to users' skin when it is in close contact with the fabric. These technologies have improved adhesion to the skin, enabling us to develop breathable fabric electrodes that alleviate allergic reaction to the skin caused by contact with a plated fiber.

### Venturing into new fields

The Company is developing fabric electrodes by combining its skills to search for appropriate materials with its fabric manufacturing and processing technologies. Capitalizing on our expertise cultivated for conventional interior textile products, we will push forward with the development of smart textile/biological information measuring textile products, with the view of venturing into new fields.



### Basic performance of Suminoe Textile's floor signage film

### • Easy to install

With a special adhesive on the back, this film can easily and quickly be affixed to the floors of train cars.

### Flame-retardant

The product is authorized as "flameretardant" under the flammability test for railway vehicle materials.

### Anti-slip

The coefficient of slip resistance (CSR) under the JIS standard shows a high level of safety.

### Safe even during combustion

Characteristically, this film produces little smoke and generates very little toxic gas at the time of combustion.



### [Making PH Film more value-added]

In the future, we will strive to offer even higher value-added products that satisfy social needs, by enhancing the quality of design and by expanding the scope of information to be conveyed, to include descriptions in foreign languages.

Nano fiber contact with Substantiall	e diagram] layer (that comes in h the skin) Condu- layer y improving breath while maintaining t	(that is frie Processed active Fabric made ability as compared	
	Ordinary electrode	Fabric electrode (developed by Suminoe)	Conductive fabric
Material	Conductive gel	Ultrafine fiber plus metal-plated fiber	Only metal- plated fiber
Breathability	×	0	0
Adherence	0	0	×

### 

### [Development image]



## Here Is the First Step toward the Development of Personnel Who Will Lead the Next Generation!

The history of the Suminoe Textile Group has always been woven by "human resources" with enthusiastic aspirations to contribute to the betterment of society and people's lives. What processes should we follow to realize such aspirations? Each Group company holds training programs for newly hired employees. The second future story focuses on the new employee training program conducted by Suminoe Textile Co., Ltd., and introduces what new recruits learn in the training so as to take the first step to working as full-fledged members of society and as members of the Company.

### Approach to Human Resource Development

Throughout its history, the Suminoe Textile Group has continually taken on new challenges with a can-do spirit, which will remain unchanged in the future. The Group therefore expects its employees not to just do their assigned jobs passably, but to persistently tackle challenges; employees should eagerly seek out new fields and to resolve their questions, without being constrained by stereotypical ideas. If we do not try for fear of failure, we cannot grow any more. We believe that even if we fail, the experience of failure will pave the way for new success.

It is heartening to see young employees take on challenges in their work for global business expansion and the development of one-of-a-kind products, broadening the spectrum of their activities. We expect that they can improve themselves while resolving their challenges one after another.

The Suminoe Textile Group will continue to create an environment in which employees can achieve their growth through work.

### Objectives of the Training for New Employees

- To let new employees know about the business operations conducted by the entire Suminoe Textile Group
- To equip new employees with the basic etiquette and attitude required to work as a full-fledged member of society
- To let new employees learn about how to proceed with group work, and acquire basic presentation skills

### To the question "What is your image of Suminoe Textile?" new employees who joined the Company in FY2018 answered as follows:

- While respecting its tradition, Suminoe Textile is also active in adopting something new.
- The Company is always taking on new challenges to develop products that meet the needs of the times.
- The Company is committed to manufacturing products familiar to our everyday living and manufacturing environmentally friendly products.
- Suminoe Textile combines both a long tradition and an innovative spirit to continue to tackle anything new.
- The Company is venturing into other fields by taking advantage of its existing technologies.

### [Understanding the Company through learning about its business activities]

The training program is designed to enable new recruits to learn about the Company's business activities that cover diverse areas. Employees from each department serve as lecturers, who explain about the content of their work, the current situations in the industry, the products they handle, and future prospects. These new employees can also learn about work in a wide variety of fields, ranging from administrative affairs, to development, sales and design.



### [Developing global human resources]

The Suminoe Textile Group has overseas establishments in six countries around the world. To develop personnel who can play active roles not only in Japan but also in the global arena in the future, the Group has introduced English language education as part of its training program for new employees. New employees receive English conversation training from native speakers, who give lessons with a particular emphasis on improving trainees' output skills.



### [Learning about the origin of a manufacturer (factory tour)]

New employees also visit the Company's production sites, which present the origin of the Suminoe Textile Group as a manufacturer.

In FY2018, they visited a total of six sites—the Nara Factory and the Shiga Factory of Suminoe Techno Co., Ltd., the Ishikawa Factory of Owari Seisen Co., Ltd., and other partner factories, to observe the production processes. The factory tour is intended to let trainees learn about what manufacturing processes our products undergo before being delivered to customers.



### [Preparation for group study presentations]

On the final day of the collective training every year, new employees make their presentations on the theme "Proposal for a New Business."

Based on what they have learned through the training program about the Company's technologies and other strong points, each group of trainees organizes an idea for new products. They then present the idea to senior employees and executive officers. New employees have one month to prepare for their presentations, while receiving lectures and visiting factories.

### (Comments made by new employees during the preparation)

• While studying together, we have strengthened the teamwork of our group.

 In formulating our proposal, I have found difficulty striking a balance between devising a dream-inspiring element and ensuring feasibility within several years.



### [Group study presentation]

On the day of the presentation, more than 50 executives and employees assemble together to listen to new employees. Individual groups make their presentations, proposing their ideas for products with great functionality that can be

realized through the application of our existing technologies. The fresh ideas and originality that uniquely derived from new employees are well received.



### Objectives of group study

### 1. To consider what is required plus something extra

Still having only limited knowledge of the Company, new employees are required to address a difficult task: to consider the Company one step ahead, under the theme "Proposal for a New Business." This assignment is given to remind them of what manufacturing is, the activity that constituted the basis of the Company's founding. Thus far, we have identified social demands and produced products in response to such demands. Likewise, we should continue to consider what we need to address and achieve to contribute to society and our customers. For this reason, from an

early stage we provide employees with training designed to make them think and create by themselves, aiming to cultivate their abilities to produce what is required plus something extra, while always looking one step ahead into the future.

2. To overcome a challenge through teamwork No matter what kind of work may be assigned, employees should accomplish it in cooperation with the people around them. Moreover, in the present time as working environments are becoming diversified, it is essential to proceed with the work while paying respect to each other's individuality and sense of value. One of the objectives of the new employee training program is to impart the importance of making efforts as a team to achieve its goal, while adapting to various environments and conditions.





Study

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### Challenges for new employees start here

It is an important mission for a company to develop human resources who contribute to society and to the company by doing work. To ensure that employees can more easily exercise their abilities and individualities and work in a lively manner, we strive to offer a mechanism and an environment that allow them to accumulate experiences and improve their knowledge.

We hope that each individual new employee will make effective use of what they have learned through collective training, and will also display their abilities, while seeking for what they can do to contribute to the Company based on their own strength.



#### (Impression of the training for new employees)

During the new employee training program, our senior employees working in various departments gave us explanations about the Company's products and the duties performed by their departments. I feel that the one-month training was truly valuable.

Through the group study, I realized that we should consider not only the functions and features of a new product we want to propose, but also its sales channel and costs from diverse perspectives. I also realized the difficulty of finding a mutually agreeable solution through discussion with other members of my group.

I learned the importance of taking a multifaceted approach and thinking about how other people in a different position would see things. Keeping this in mind, I will make effective use of what

I have learned in the training for my future work.



### Minori Usui,

Information Management Department

#### (Comment from the person in charge of the training)

The training program for new employees aims to enable them to acquire the attitude and the way of thinking to be adopted as full-fledged members of society, thereby helping them to make a smooth start to their work. The collective training of about one month is intended to lay a solid foundation for working before new employees are assigned to each department, by deepening their understanding of the Company and learning its etiquette. Through the group study, we expect that they will not only learn about how to proceed with work as a group, but also strengthen their mutual bonds with their peers, so that even after the training, they will keep good company and continue to improve themselves through friendly rivalry.

After being assigned to their respective departments, the new employees will undergo a five-month on-the-job training. I hope that they will learn to positively think and act by themselves in their departments, and continue to embrace many challenges without fear of failure, in order to achieve their own growth.

## **Corporate Governance and CSR Promotion System**

### Corporate Governance\*1

Suminoe Textile has established a corporate governance system as outlined below. To secure the soundness and efficiency of management, we have been appointing outside directors and strengthening the function of the corporate auditor system. The Board of Directors functions as a body for making management decisions in a speedy and agile manner, and for overseeing the status of business execution. The Company has also introduced an operating officer system, under which operating officers are held responsible for business execution. This business execution system, along with the system for management monitoring by corporate auditors and outside directors, enables us to ensure the effectiveness of governance. \*1 Corporate governance: The mechanisms by which company management is controlled and supervised, in order to enhance its management transparency and corporate value



### **Board of Directors**

The Board of Directors comprises eight directors (including three outside directors), and supervises business execution and makes decisions on important matters.

### Board of Corporate Auditors

The Board of Corporate Auditors consists of three auditors (including two outside auditors). The Board decides auditing policies and plans, and deliberates on audit reports.

### Management Meeting/CSR & Internal Control Council

The management meeting is held every week, in principle, to report and deliberate on important management

matters. Matters of particular importance will be reported to the Board of Directors. CSR-related important matters and evaluation of internal controls concerning financial reports are discussed at the meeting of the CSR & Internal Control Council. The meeting is attended by one full-time corporate auditor as an observer.

### Meeting of Operating Officers

The Meeting of Operating Officers comprises President and operating officers of Suminoe Textile Co., Ltd., and holds its meeting once a month. At the monthly meeting, the decisions made by meetings of the Board of Directors or by the Management Meeting are announced, and reports are made on the present status of business execution by each operating officer.



(From the left in the back row) Outside Corporate Auditor Yasufumi Yamashita Outside Corporate Auditor Masashi Hashimoto Corporate Auditor Kunihiko Kotaki Director Katsuyuki Sawai Director Teppei Nagata Outside Director Kohei Nomura (From the left in the front row) Outside Director Takashi Yokota Representative Senior Managing Director Hitoshi lida Chairman and President Ichizo Yoshikawa Representative Senior Managing Director Yoshiaki Tanihara Outside Director Haruo Shimizu

### **CSR** Promotion System

The CSR Promotion Committee is an organ that plays a central role in promoting CSR initiatives. The Committee holds its meetings four times a year at the Head Office of Suminoe Textile Co., Ltd. At these meetings, the Committee members make decisions on the policy for CSR-related activities, deliberate on each subcommittee's activity plans, and confirm their progress. They are also engaged in discussions on the medium to long-term recurrence prevention plan and check its progress. In so doing, the Committee will continue to work to enhance governance and compliance. Individual subcommittees conduct a series of lively discussions, in order to identify the CSR issues to be addressed and implement specific measures to tackle these issues.



### Medium-Term CSR Plan

As mentioned earlier, we formulated the Medium-Term Management Plan "2020" (see page 6), whose main themes are the restructuring of corporate governance and the growth of business. In addition to the management plan, we drew up the 2nd Medium-Term CSR Plan after reviewing the priority CSR measures, aiming to achieve further growth toward 2020. Under the new CSR plan, we will promote initiatives centering on the following measures: (Planned period: June 2018–May 2020)

### Schematic diagram of 2nd Medium-Term CSR Plan

	Top priority measures
Corporate governance	Promote fair corporate activities
— Compliance	Raise compliance awareness of executives a and improve their compliance training
Fair operating practices	<ul> <li>Improve work-related legal education and inter Promote procurement based on the Green Pro Guidelines</li> </ul>
Human resource development and revitalization	<ul> <li>Implement training programs and develop glob human resources</li> <li>Respect diversity (promote women's empower employment of persons with disabilities, re-em retired employees, and employment of foreign</li> <li>Promote reform of working practices (improve supporting employees in caring for children, th other family members, and promote a work-life</li> </ul>
Health and safety	<ul> <li>Prevent occupational accidents (provide safety implement risk assessment)</li> <li>Create a comfortable working environment (promote employees' health)</li> <li>Correct the issue of long working hours</li> </ul>



Referencing the ISO 26000 guidelines, we have classified CSR activities into seven categories, for each of which we have set medium-term targets. The results for fiscal 2017 are shown in the table below.

A: Accomplished,	B:Almost	accomplished,	C:Not accomplished
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CSR ategory	Related page	Priority item	Major theme	Targets for FY2017 and onward	FY2017 results	Self- assess ment				
		Corporate	Hold discussions at meetings of the Board of Directors, the Board of Corporate Auditors and other committees, to pro- mote fair corporate activities.	- Hold meetings of the Board of Directors and the Board of Corporate Auditors, and review activity plans at CSR Promotion Committee meetings.	<ul> <li>Held meetings of the Board of Directors 10 times and meetings of the Board of Corporate Auditors nine times.</li> <li>Held meetings of the CSR Promotion Committee meetings five times to review activity plans.</li> </ul>	A				
Gov		govern- ance	Evaluate the effectiveness of internal control over financial reporting of Group companies that fall within the scope of assessment.	- Implement activities with the Financial Control Committee playing a central role. [Target : Number of material weaknesses requiring disclosure : 0]	- Implemented activities with the Financial Control Committee playing a central role. [Result:Number of material weaknesses requiring disclosure:0]	А				
Governance and compliance	P.17 ~18、 21 ~22	Consti	Promote the Code of Conduct and the Code of Corporate Behavior of the Suminoe Textile Group.	Establish the Suminoe Textile Group Compliance Program. - Provide compliance education at training by level. - Distribute the Compliance Guidance to new employees and hold seminars to provide them with basic compliance knowledge. - Provide other types of education programs, including edu- cation through the in-house intranet and collective training. [Rate of plans implemented:100%]	<ul> <li>Provided compliance education at training by level and training for new employees. [Rate of plans implemented :100%]</li> <li>Provided compliance education (as part of training for officers, training for executive employees, and workshops).</li> <li>Read the Code of Conduct aloud in unison at the morning assembly and weekly meetings.</li> </ul>	А				
iance		Compli- ance	Continue compliance- related monitoring.	- Conduct compliance audits in rotation. [Rate of plans implemented: 100%]	- Implemented a compliance audit. [Rate of plans implemented :100%] Planned to conduct audits primarily for overseas subsidiaries.	A				
			Announce the Hotline to all employees.	- Announce the Hotline to all new employees. - Announce the Hotline to all employees as part of training by level and power harassment prevention training. [Target:100%]	<ul> <li>Announced the Hotline to all new employees.</li> <li>Announced the Hotline to all employees as part of training by level, harassment prevention training, workshops, etc. [Result :100%]</li> </ul>	В				
Operating practices	P.33	Fair trans- actions	and implement legal education and monitoring concerning - Conduct internal audits		- Implemented education regarding the Subcontract Act through collective training. - Conducted internal audits. [Rate of plans implemented:100%]	A				
ing es	_	Green Procure- ment	Promote the Green Procurement Guidelines.	- Distribute the guidelines to suppliers and collect Green Procurement records. [Target:Once a year]	- Distributed the guidelines to suppliers and collected Green Procurement records. [Result : Once a year]	A				
	P.29 ~32				Respect for diversity	Create a comfortable working environment that respects the	- Have subsidiaries submit their plans for measures to achieve the legally required percentage of employees with disabilities. → Reflect on the results at the end of the term. (SUMINOE Co., Ltd., RUNON Co., Ltd., Suminoe Logistics Co., Ltd., Suminoe Techno Co., Ltd., Tango Textile Co., Ltd. Teijin Tecloth Ltd. and Owari Seisen Co., Ltd.)	<ul> <li>Achieved the legally required percentage of employees with disabilities at Suminoe Textile Co., Ltd.</li> <li>At subsidiaries, measures to achieve the legally required percentage not yet implemented.</li> </ul>	В	
Human Rights employees, and		uncroicy	diversity of employees.	<ul> <li>Hold interviews between Senior Employees and their supervisors at the time of feeding back evaluations of these employees.</li> <li>Publicize the active roles played by Senior Employees through the CSR report.</li> </ul>	<ul> <li>Held interviews between Senior Employees and their supervisors at the time of feeding back evaluations of these employees.</li> <li>Publicized the active roles played by Senior Employees through the CSR report.</li> </ul>	A				
01		32 Human	2	9			Implement group training to help employees improve their skills and abilities.	<ul> <li>Provide training sessions by level and by theme and improve the content of these sessions.</li> </ul>	Training by level: Discussed the content as in previous years. Training by theme: Implemented training by selecting "Time Management" and "Improving Communication Skills" as the themes. - Administered TOEIC tests for new employees and those wishing to take the tests	А
, employment, treatment of human resource development				Develop global human resources.	- Create the foundations of a system to develop global human resources.	and those wishing to take the tests. - Provided foreign language training programs (school attendance course, correspondence course, online course, and training course to be taken before leaving for overseas duty). - The foundations of a system to develop global human resources have not yet been established.	В			
ment of					develop- ment	Women's empowerment.	<ul> <li>Dispatch female employees to the Women's Empowerment Support Forum.</li> <li>Discuss training ideas, such as training on coaching female subordinates geared to managers.</li> <li>Publicize the active roles played by employees through the CSR report.</li> <li>Publicize the active roles played by employees at training by level.</li> </ul>	<ul> <li>Dispatching female employees to the Women's Empowerment Support Forum.</li> <li>Publicizing the active roles played by employees through the CSR report.</li> <li>Publicizing the active roles played by employees at training by level.</li> </ul>	А	
						Revitalization of human resources.	Implement measures to revitalize human resources. - Hold the Mirai-juku program (a series of seminars on future growth). - Discuss other measures to be taken in the future.	<ul> <li>Held the Mirai-juku program (a series of seminars on future growth) in Tokyo and Nagoya.</li> <li>Held personal interviews with mid-career hires.</li> <li>Discussed other measures to be taken in the future at the Human Resource Subcommittee.</li> </ul>	В	
Safety, disaster prevention, and health	P.30	Occupa- tional health and safety	Promote activity plans to protect the safety of employees.	<ul> <li>Share initiatives carried out at the offices/factories of those establishments with Health and Safety Committees.</li> <li>Designate the persons in charge of health and safety as well as the persons in charge of health, at small offices/factories.</li> <li>Have the Subcommittee leader and the secretariat regularly hold safety inspections. [Target : At least six offices/factories]</li> </ul>	<ul> <li>The Central Health and Safety Subcommittee shared Group-wide the "proposal instances" and "awareness-raising examples" carried out at respective offices/factories, to promote occupational accident prevention activities.</li> <li>Members of the Central Health and Safety Subcommittee inspected factories and exchanged views with employees regarding occupational safety initiatives.</li> <li>Regularly provided safety education. [Target: Rate of lost-worktime injuries:1 ⇒ result:2.0]</li> </ul>	С				
alti				- Carry out disaster drills. [Rate of plans implemented:100%]	- Carried out disaster drills. [Rate of plans implemented :100%]	A				

CSR category	Related page	Priority item	Major theme	Targets for FY2017 and onward	FY2017 results	Self asses mer
Saf				<ul> <li>Provide anti-harassment training (in accordance with the plan).</li> <li>Publicize health consultation services.</li> <li>Conduct stress checks.</li> </ul>	<ul> <li>Provided anti-harassment training.</li> <li>Publicized health consultation services.</li> <li>Conducted stress checks.</li> </ul>	A
Safety, disaster prevention, and health	P.30	Occupa- tional health and safety	Provide care to maintain the health of employees.	<ul> <li>Introduce tools to subjectively grasp employees' working hours to all factories/offices (including sales offices).</li> <li>Firmly establish a system to periodically check working hours to give guidance to employees who work long hours.</li> <li>Discuss measures to help employees strike a successful work/life balance.</li> </ul>	<ul> <li>Introduced time recorders to major offices/factories and sales offices.</li> <li>Periodically checked employees' working hours to confirm whether there were differences between actual working hours and the records on the time recorders, and provided guidance where necessary.</li> </ul>	A
Environ- ment	P.35 ~40	Reduction of environ- mental impact from business activities	Prevention of global warming.	See page 38		
		Business continuity plan (BCP)	Promote a business continuity plan (BCP) to be implemented in the event of emer- gency or disaster.	<ul> <li>Regularly review the BCP.</li> <li>Conduct a drill covering procedures from safety confirmation to communicating relevant information to customers, at all offices/factories.</li> </ul>	- When the northern Osaka earthquake occurred, the personal safety information confirmation method that we had prescribed proved to work well in the same manner as in the disaster drills.	В
	P.33 ~34	Intellectual property	Promote understanding of intellectual property.	- Implement awareness-raising activities regarding intellectual property rights (through the in-house intranet and training sessions). [Rate of plans implemented:100%]	- Implemented awareness-raising activities regarding intellectual property rights (through the in-house intranet and training sessions). [Rate of plans implemented : 100%]	A
		Information	Provide information security education (security of infor- mation terminals and personal information protection).	- Provide information security education.	<ul> <li>Provided information security education.</li> <li>Formulated the information security policy.</li> </ul>	A
Risk management		security	Carry out awareness- raising activities to prevent insider trading.	- Implement awareness-raising activities to prevent insider trading.	<ul> <li>Implemented activities to raise awareness among newly appointed officers.</li> <li>Implemented awareness-raising activities through the in-house intranet.</li> </ul>	A
agement	_	Quality improve- ment	Promote quality improvement efforts.	- Regularly hold Quality Assurance Joint Meetings (quarterly), and implement activities to share the initiatives regarding quality management (activities to reduce the percentage of defective products and the losses due to defective quality), and chemical substances regulations.	<ul> <li>Regularly held Quality Assurance Joint Meetings (in January, April, July and October).</li> <li>Implemented activities to share the initiatives regarding quality management (activities to reduce the percentage of defective products and losses due to defective quality), and chemical substances regulations.</li> </ul>	A
		_	Customer satisfaction improve- ment	Appropriately respond to customers and share customer service experience company-wide.	<ul> <li>Report the content of inquiries/complaints received by the Customer Service Center to the CSR Promotion Committee.</li> <li>Introduce products developed by incorporating customer opinions in our CSR Report.</li> </ul>	<ul> <li>In FY 2017, the Customer Service Center received 2,292 inquiries/complaints. Among them, inquiries about products, standards, prices and functionality accounted for 46% (1,032 cases), and complaints accounted for 4% (90 cases).</li> <li>Regarding complaints, after classifying their contents and analyzing their causes, we will utilize the results for the next time we develop products.</li> </ul>
Socia	_	Information disclosure	Properly disclose investor relations information.	<ul> <li>Disclose in a timely manner the quarterly summary of financial results to the Tokyo Stock Exchange, and publish the summary on the Company's website without delay.</li> </ul>	<ul> <li>Disclosed in a timely manner the quarterly summary of financial results to the Tokyo Stock Exchange, and published the summary on the Company's website without delay.</li> </ul>	A
Consumer issues / Social contribution management activities	_	External communi- cations	Promote communication with stakeholders (publicize the strength of the Company).	<ul> <li>Hold conventional external communications.</li> <li>Start to discuss plans for initiatives to improve our corporate image.</li> </ul>	<ul> <li>Presented Suminoe Textile booths at various exhibitions, including JAPANTEX 2017 and the 84th Tokyo International Gift Show.</li> <li>Increased the number of dialogs with institu- tional investors as compared with the previous fiscal year, and actively communicated with them, aiming to promote their understanding of the Group's business and its results.</li> <li>Actively disclosed information by posting IR meeting handouts on the website, in addition to disclosing legally required documents.</li> <li>Discussions are under way as to plans for initiatives to improve our corporate brand image.</li> </ul>	A
tivities	P.41	Social contribu- tion activities	Contribute to the local communities. Carry out social contribu- tion activities relating to environmental protection.	<ul> <li>Contribute to the local communities, and carry out social contribution activities relating to environmental protection.</li> </ul>	<ul> <li>Continued local contribution activities and environmental protection activities.</li> <li>Willingly engaged with the local communities, and participated in activities for regional preservation and revitalization.</li> </ul>	В

## Initiatives to Prevent Recurrence

The inappropriate accounting at our U.S. subsidiary Suminoe Textile of America Corporation has reminded us of the importance of enhancing corporate governance and ensuring compliance, resulting in the new opportunities set for training and awareness-raising activities to promote initiatives to prevent recurrence.

### Compliance

### Compliance Guidance

The Compliance Guidance issued in April 2017 is used as a tool for lectures on compliance, which are continuously provided for employees at the time they enter the company and training by level. English and Chinese versions of the Guidance were distributed to employees of overseas Group companies. Employees are also encouraged to recite the Code of Conduct in unison to help foster their awareness of compliance.

# 遵守法令规则 nglish and Chinese versions of Compliance Guidance

### Familiarizing employees with whistleblowing contact points

In addition to the contact points for whistleblowing already in place, such as the Corporate Ethics Hotline, an outside attorney's office for consultation, and outside health consultation services, we set up a new external contact point available exclusively for consultation on harassment through which employees can seek consultation easily and with peace of mind. Employees are notified of and encouraged to use these contact points at occasions of in-house training and workshops.

### **Compliance Workshop**

In 2018, the Compliance Workshop was held six times at the Head Office of SUMINOE Co., Ltd. in August and 10 times at the Tokyo Branch in October, in which a total of 315 employees, including those from Group companies, participated.

In the first half of the workshop, lectures on basic compliance themes that employees must know as minimum necessary knowledge, such as why compliance is important and the impact of non-compliance on a company, were provided. The second half of the workshop was for group discussions on the theme "What are the risks underlying your work and what are the countermeasures to them?" To help deepen understanding gained at the workshop, participants were asked to hold a meeting at their respective workplaces at a later date and submit a report, so that their compliance awareness can be shared.

The workshop served as a useful opportunity for participants to feel familiar with compliance by understanding the risks in their own work.



Exchanging opinions in group discussions

### Consultation services used (FY2017)

Corporate Ethics Hotline	3 cases
Outside attorney	0 cases
Health consultation service (consultation on harassment)	6 cases
Harassment consultation contact point	1 case

### [Opinions and comments provided in reports]

### Meeting theme

"To ensure compliance, what I will do and what I will encourage people around me to do"

- Do not overlook any conduct violating compliance but consult supervisors or colleagues.
- Create an open corporate culture and workplace atmosphere that make employees feel easy to consult.
- Create opportunities to gather opinions and information, such as the workplace meeting held this time.
- Rotate jobs to reduce the chances of misconduct occurring.
- Formulate job manuals to ease work burdens. • Hold seminars by legal specialists to enable employees to conduct legal checks, to prevent them from violating laws without knowing.



### Training for executive employees

To learn the compliance knowledge necessary for executive employees who hold the position of supervisor or instructor, approximately 90 manager-level employees gathered for a training session from all Group companies in Japan in May 2018.

Following lectures by internal instructors on the current status of compliance initiatives of the Group and future tasks, the executive participants gave presentations on the compliance awareness in their respective departments and their views on how to create a comfortable workplace, and exchanged opinions with top management.

### Management by walking around

Directors and operating officers of Suminoe Textile Co., Ltd. promote "management by walking around," which means visiting worksites other than those in their own division with the aim of interactively communicating with employees. In fiscal 2017, each officer visited nine to 10 offices on average. After the visit, discussions were held mainly at

the Meeting of Operating Officers on the findings and problems found at each worksite and their solutions to the problems. Starting from May 2018, information on such discussions has been made available on the in-house intranet to executives in certain positions to enable them to share the information. Moreover, Management Meetings were held five times during the year at offices other than the Suminoe Textile Head Office, expanding the scope of "management by walking around."

### Questionnaire Survey on Workplace Comfort (In-house Employees' Opinion Survey) 2018

The Questionnaire Survey on Workplace Comfort is conducted once a year for all employees in order to assess the progress of CSR activities and utilize the results for future initiatives.

In the 2018 survey, those who agreed to "I feel strongly that I want to work at my present company for a long time" decreased by 0.14 points from the 2017 survey. In response to this result, which made us aware of the need to increase employee satisfaction, various measures mainly to revitalize human resources, such as holding interviews with employees and lunchtime meetings, were implemented.

The opinions employees gave and the survey results are shared with management and the responsible personnel in each department, to be reflected in efforts to create comfortable workplaces. A summary of the survey results is made available on the in-house intranet, so the information can be shared among all employees. For overseas operation sites, the questionnaires were translated into local languages so they can be responded to not only by Japanese expatriates but also local employees.

We will continue conducting this survey as a tool to correctly grasp the awareness and value of employees concerning their company and work, and to reflect these in our CSR activities.







The results of the Questionnaire Survey on Workplace Comfort (see below) conducted once a year also indicate high expectation of employees for "management by walking around" to lower walls between departments. We will further promote initiatives to activate communication between officers and employees so they can feel the effects of the "management by walking around."



TCHS (Thailand)

[Results of general/contract employees] ■ I feel strongly that I want to work at my present company for a long time

### [About the survey]

All Group employees both in Japan and overseas were targeted. Questions were asked in eight categories including "work," workplace," and "corporate culture," and each question was answered in two ways: four-grade multiple choice and free comments. Note that responses from overseas employees are not included in the above survey results.

## **Efforts under the Three Projects**

Enhancing governance and ensuring compliance are positioned as crucial tasks that should be addressed by the entire Group.

Starting from fiscal 2016, three projects have been promoted by teams formed with members gathered from each Group company to facilitate effective activities.

In fiscal 2017, the second year since the projects' launch, each team began practical activities to achieve the goal of each project.

The following describes the three projects.



### Project 1 "Mid-career employees"

### Project kickoff

In June 2017, to develop next-generation human resources and promote corporate culture reforms, a mid-career employees' team for the SRP (Suminoe Revival Project) was formed directly under top management as an initiative for the medium to long term. Upholding the theme "Activate interaction between human resources across departments and improve their problem-solving skills," mid-career employees responsible for practical operations collaborated across departments in identifying solutions to worksite problems.

### Activities in FY2017

In fiscal 2017, a kickoff meeting and four group discussion meetings were held. First, to clarify the current work situations, an "inventory counting of operations" was conducted in team members'

departments, not only to determine the time required for each operation but also to assess, from a risk management perspective, its degree of importance in the Company and external level of significance. The assessment revealed that some operations with low importance and low significance took employees much time, and that workloads disproportionally fell on employees in specific age groups.

### Future plan

In fiscal 2018, we will implement improvement measures to solve the problems found in the "inventory counting of operations." Through this initiative, we aim to develop human resources who are familiar with the concepts of work improvement and risk management, thereby promoting Group-wide reform of the corporate culture and systems.



In developing our Group while maintaining a relationship of trust with society, it is important for all employees to comply with laws and regulations with a strong ethical sense and always take justifiable action. However, such awareness of compliance tends to become weaker when under the pressure of daily work. To raise awareness of compliance, easing employees' workloads is crucial.

In this project, members first assessed the workload on each work operation in their respective departments. After that, in preparation for implementing measures to ease workloads, they conducted fact-finding surveys on all Group divisions and departments in Japan.

### Future plan

The fact-finding survey clarified the workloads at all Group divisions and departments in Japan (13 companies, 116 departments).

We will analyze the workloads found and formulate improvement measures that can be implemented throughout the Group, such as automating routine operations, with the aim of eventually reducing workloads.

### Project 3 "Information Infrastructure Development"

The Suminoe Textile Group uses a unique core operation system that was developed from scratch. The system, however, experiences several problems, including inefficient and person-dependent operation quality, rising system maintenance costs, inappropriate cooperation and integration between departments due to the separation of work processes associated with corporate divisions and globalization, and restrictions on the accurate and prompt utilization of information. As a solution to these problems, project team members are proceeding with the introduction of an ERP package to a model business division selected prior to full-scale implementation.

# Analyzing current status

ration

depl

[Feedback from the secretariat]

For the new core system, introduction of an ERP package, currently installed at some overseas plants, is planned. In implementing the transition from the current system, the project team has faced several unexpected problems. Members have addressed each problem by consulting with each other, which is far more difficult than one might imagine. We hope that this precious experience of so-called "birth pangs," possibly understood only by those who have experienced them, will be shared and utilized for our future activities.



Group discussions



### Outline of the fact-finding survey on workloads [Survey period] November 2017 to February 2018 [Objective] To clarify the volume and the type of workload for each work operation, as well as the causes and background/reasons for this, allowing the findings to be used in formulating and implementing improvement plans in subsequent years [Target] Suminoe Textile Co., Ltd. and its Group companies in Japan [Method] (1)Distribute the workload survey form to all departments. (2)Each department then identifies the operations that constitute loads, such as operations that

take time or that are inefficient. (3)Lastly, each department enters into the workload survey form the identified workloads, the degrees of the workloads, and possible improvement measures, if any. The secretariat then collects the

### Activity results

forms.

Activities conducted in fiscal 2017 are below.



June July Aug. Sep. Oct. Nov. Dec. Jan. Feb. Mar. Apr. May June July

### Future plan

Members will develop additional necessary functions for the package and a function to facilitate interfacing with other systems, with a plan to start operating the model-case business segment in October 2018. In line with the introduction, the project will examine excesses and shortages in current operation processes with the aim of optimizing the processes. A similar approach will be gradually launched for other segments.

## Together with Our Customers (Delivery Track Records)

The Suminoe Textile Group works together with customers to offer comfortable public spaces.

### Delivery Track Records of Interior Fittings Products

### Yunode Ryokan in the Yuwaku Onsen Hot Spring Resort—An Oasis of Quiet and Comfort in Kanazawa



Lobby



Corridor



Staircase

External appearance of the building

Yunode Ryokan, a Japanese style inn, is situated in the Yuwaku Onsen hot spring resort, known as an oasis of quiet and comfort in Kanazawa, Ishikawa Prefecture. Legend has it that Yuwaku Onsen was discovered in 718 when a paper craftsman followed an injured white heron and saw the bird healing itself in a warm well—which is the source of the hot springs of this resort. It is also believed that Yuwaku (lit. "hot-water welling up") was so named because of the gushing hot water here.

The buildings of Yunode Ryokan were built in the sukiya-style, a traditional residential architectural style of Japan that has been handed down from the Azuchi Momoyama Period (1574–1600). Sukiya was the name given to a house that strongly reflected the likes and tastes of its owner. It is said that masters of the tea ceremony at that time preferred witty and refined sukiya-style buildings, since they were not fond of strictly formal designs and decorations.

In this project, SUMINOE Co., Ltd. supplied custom-made Axminster carpets\* primarily for the lobby, corridors and staircases of this Japanese-style inn. These carpets are characterized by a modern design with dynamic circular arc patterns, while also helping offer relaxing and comfortable spaces for guests.

These carpets are well suited to the luxurious hot springs and traditional buildings of Yunode Ryokan. We hope that these products will bring the customer continued satisfaction for many years to come.

\*Axminster carpet: A type of carpet. Each pile of the carpet is cut to the proper length and inserted as a 'U' shaped tuft. An Axminster carpet features diverse and intricate patterns.



[Sales representative's view] Shigatada Miyashita Director, Kanazawa Sales Office SUMINOE Co., Ltd.

I was engaged in the carpet renewal project for Yunode Ryokan, a Japanese-style inn known for its tradition and refined elegance in the Yuwaku hot spring area.

To tell the truth, there was already another candidate for this project-a manufacturer in the same industry was ahead of us. Nevertheless, SUMINOE Co., Ltd. was able to win the order, thanks to a strong recommendation from a dealership of its supplier, who trusted us based on our past delivery track records. We then started discussions with a design office. With the day of installation already determined, we did not have enough time before the deadline. However, we held many meetings for the carpet renovation, to fulfill the request of the customer, who wanted "carpets with a design suited to a modern tourist facility, while also valuing the elegant image of the inn's buildings." Through these endeavors, I believe we were able to impress the customer with the presence of our company as a distinguished manufacturer. I am also truly delighted that Yunode Ryokan is satisfied with the products that we delivered.



[Designer's view] Erika Chikamori Design Department SUMINOE Co., Ltd.

We created a design featuring large arc patterns randomly drawn in a color gradation from black to grey. Initially we were a little afraid that this design might be too modern for a Japanese-style inn. However, we were pleased to have been able to successfully deliver the carpets, in compliance with the wishes of the customer and the designer.

In addition to the very tight deadline, it was the first time for me to partner with the said designer. So the designer and I held many meetings to check each and every detail of the design, such as the thickness of the arc lines, the degree of color gradation, and the balance of circle positions against the corridors.

I also put myself in the customer's shoes to better explain our design to a customer, who usually does not have an opportunity to engage in carpet design. I felt a great sense of achievement from this project, in which we created the carpets through collaboration with the customer.

### Delivery Track Records of Automotive Textiles

### LEAF, Nissan Motor Co., Ltd.

Nissan Motor Co., Ltd. boasts excellent development capabilities in the field of electric vehicles (EVs). The carmaker has released the new Nissan LEAF (since October 2017 in Japan, and January 2018 in the United States, Europe and other overseas markets). The new LEAF has a dramatically increased battery capacity compared to the first LEAF model, which was introduced as a mass-production EV in 2010, and an improved full-charge driving range of 400 km in the JC08 mode. These technologies installed in the new Nissan LEAF have won high praise, including 2017–2018 Car Technology of the Year by the Japan Automotive Hall of Fame, and the







[Sales representative's view] Yuji Wakino Second Sales Department Suminoe Teijin Techno Co., Ltd.

The Nissan LEAF is advertised as a zero-tailpipeemission, fully-electric vehicle. Its interior is also environmentally friendly.

The interior fabrics are made of a bio-based PET yarn. All warps of the fabric used as the main material are woven with the bio-based PET yarn, and the tricot fabric used as a sub material is made completely of the same yarn. Our design has earned high acclaim for employing a combination of a multi-color, finely striped fabric and a solid-color tricot fabric with a nice texture.

The LEAF is produced in Nissan's three global production sites—Japan, the United States and the United Kingdom. For this reason, we faced many challenges, such as the establishment of delivery channels to overseas countries and the localization of fabric production. Despite such difficulties, we were able to successfully launch the production, with the cooperation of the parties concerned. Taking this opportunity, I would like to express my sincere gratitude for their generous support. Best of Innovation Honorees for CES 2018 by the Consumer Technology Association (CTA). The new model has significantly improved not only in terms of vehicle performance, but also in terms of its interior and exterior designs, which are more stylish and give a greater sense of luxury. Particular attention is given its color design. In fact, the new LEAF comes in as many as 14 exterior color variations (including six types in two tones). As for the seat covering materials, our products were adopted for each grade of G, X and S. We have supplied automotive textiles using a yarn made from bio-based polyethylene terephthalate (PET) for the G and X grades.



[Designer's view] Motomi Nagai Design and Development Department, R&D Center Suminoe Teijin Techno Co., Ltd.

I was in charge of designing the seat covering materials for the second model of the Nissan LEAF. In the summer of 2013, we started to develop the design, under the color design concept "Next-generation ecological colors for EVs." To embody the concept, we devised a color coordination scheme suitable for a vehicle driven across the world. A bio-based yarn is used for the warps of the fabrics, which are designed with multi-color gradations, using blue as the accent color.

Before the design was determined, we had difficulty realizing our desired colors and balanced color coordination, and had to conduct repeated endurance tests and productivity and quality confirmation. It took us about four years to finally succeed in mass production in spring 2017, through collaboration among the departments concerned.

I am very happy to be able to see our products being delivered not only in Japan, but also to the United States and European countries.

### Together with Society

### Together with Our Customers (Delivery Track Records)

### Delivery Track Records of Traffic Facilities

Limited Express Romancecar 70000 series GSE Odakyu Electric Railway Co., Ltd.



On March 17, 2018, Odakyu Electric Railway put the Romancecar 70000 series GSE into service, which was developed under the concept "the Romancecar, offering passengers an elegant time on their journey to Hakone." GSE stands for "Graceful Super Express."

The greatest charm of the Romancecar is the excellent viewing of the dynamic scenery from its windows. Around the observation deck seats, which are the symbol of the Romancecar, a single large pane of glass is used for the front window. The first car of the train has no luggage racks. The 70000 series GSE therefore provides passengers with a highly dynamic view, while offering a wider open space. Moreover, consecutive windows measuring one meter in height are installed along the car side, allowing passengers to fully enjoy the scenery as it flows by, from any seat.

Suminoe Textile's products employed by this train are the moquette seat covering materials with ink-jet print patterns, roll curtains, Wilton carpets, headrest covers, and dividing curtains.



[Sales representative's view] Yoshito Okuda Tokyo Traffic Sales Group

Tokyo Traffic Sales Group Eastern Japan Traffic Sales Department

The Romancecar is considered to be synonymous with Odakyu Electric Railway Co., Ltd. Toward winning an order for the textiles to be used in the Romancecar, all involved members of our Company started to work in concert to develop the products. Among other things, the most difficult part was developing the seat covering materials. In the hope of accommodating the customer's wishes to the greatest extent possible, we made repeated prototypes and proposals, taking advantage of the characteristics of ink-jet printing. In addition to the seat covering materials, we were able to propose other interior textiles by incorporating ideas from many persons in charge. I believe our products were instrumental in creating a train car space that the customer wanted to realize.

I would like to continue to provide attractive products, by proposing plans for the total coordination of interior materials, in which Suminoe Textile's strength lies.

When I travel to Hakone, I would like to enjoy spending "an elegant time" while viewing the excellent scenery from the windows of the Romancecar.

[Designer's comment] Mr. Noriaki Okabe Noriaki Okabe Architecture Network

For the new Romancecar 70000 series GSE, I entrusted the design of the seat covering materials to Mr. Kenjiro Okazaki, a plastic artist and critic, with whom I had worked on other projects in the past.

Along with a vivid color tone, he proposed the unprecedented idea of creating a single pattern to be completed by combining two seats, under the concept of "Rendering an image of multiple layers of time and space for the train running through areas of scenic beauty." In the sewing process, we had extreme difficulty in

pattern matching. However, when I actually boarded the train, I witnessed that the pattern nicely complemented the attire of the passengers, thereby embodying our design concept. I also feel our novel design is suitable for the seats of this innovative train series.

### Delivery Track Records of Functional Materials

### Kakidanomi, a Persimmon Polyphenol Supplement Jointly Developed with Kindai University, Helps You Enjoy Drinking Parties

*Kakidanomi* is a supplement containing persimmon (*kaki*) polyphenol. The polyphenol is extracted from persimmons grown in Nara Prefecture using a patented processing method. The Technical Center of Suminoe Textile Co., Ltd. conducted joint research with the Nara Prefecture Agricultural Research and Development Center and other institutes, to study the functionality (deodorization and resistance to allergens) of the Nara-type persimmon polyphenol. Against this backdrop, the Company's New Business Promotion Department, engaged in business related to food product materials, began to develop this product in cooperation with the Technical Center.

The *Kakidanomi* development project was adopted as one of the recipients of the subsidy provided under the FY20186 Nara Prefecture Local Food Product Development Project, a funding scheme implemented by Nara Prefecture to support eligible companies in developing value-added food products using local





[Sales representative's view] Hironori Otsuki New Business Development Department Suminoe Textile Co., Ltd.

*Kakidanomi* is the first health food to bear the Suminoe brand. In this project, I keenly realized how difficult it was to create a product from scratch, going through such processes as determining the product shape and launching an online shop. I also had a hard time developing distribution channels, since things did not work out as intended. However, thanks to kind support and encouragement from people who understand the advantages of *Kakidanomi*, we have started to roll out the product at drugstores, product exhibitions, restaurants, etc. mainly in Nara Prefecture. Its sales area has now expanded to include the Kinki region and the metropolitan Tokyo area. I felt happy beyond measure when I found the product sold on store shelves.

I will continue to endeavor to increase the number of *Kakidanomi* fans, so that it will grow as a product that enjoys long-term patronage. I will also seek to develop the second and third products of the Suminoe brand, toward the expansion of our food business.

specialties. Our joint research team carried out a human clinical trial on the acceleration of alcohol metabolism (effects in preventing sickness after drinking). The results showed the safety and the effectiveness of *Kakidanomi*. Specifically, through a self-awareness survey conducted with participants in the clinical trial, we confirmed that the symptoms of intoxication, including sluggishness and nausea, were significantly reduced compared with when a placebo was taken.

In addition, the production process of *Kakidanomi* is thoroughly managed by a GMP (Good Manufacturing Practice) Mark-certified factory, from product manufacturing to quality control. *Kakidanomi* is a tablet supplement that is individually packaged, making it convenient for users to carry around. This polyphenol supplement we have developed in partnership with Kindai University is recommendable for those who attend many drinking parties and who love to drink.



[Comment of the collaborative developer] Prof. Takashi Kometani Department of Food Science and Nutrition Faculty of Agriculture, KINDAI University

My laboratory has studied the effects of the polyphenol (tannin) richly contained in the persimmon (*kaki*), a specialty of Nara Prefecture, in controlling rises in blood sugar level. Through this study, we want to contribute to improving the postprandial glucose levels of 20,000,000 diabetics and people with a high risk of diabetes. With empathy for Suminoe Textile Co., Ltd., whose hope is to provide amenity in every terms of housing, food and clothing, we have been implementing research in collaboration with the Company in the field of food.

Currently, our joint research is still under way toward finding a practical use for the persimmon polyphenol. During this process, we were able to obtain evidence that persimmon polyphenol is effective in controlling sickness after drinking, which first led to the commercialization of *Kakidanomi*. I greatly appreciate the Company's establishing such a close collaboration system, enabling us to achieve speedy practical application of our findings.

## **Together with Our Employees**

The Suminoe Textile Group considers that human resources are the source of sustainable corporate growth, and that it is important to enable each and every employee to demonstrate their best performance and grow further. We are working on initiatives to create a working environment that ensures diverse human resources can work happily and actively, regardless of gender, age, and nationality.

### Respect for Diversity

### Number of new graduates hired

In April 2018, 41 new graduates joined our Group companies in Japan, with the ratio of female graduates standing at 48.8%, and the average ratio of female employees in the past three years standing at 40.8%.

\*New graduates were hired by: Suminoe Textile Co., Ltd., SUMINOE Co., Ltd., RUNON Co., Ltd., Suminoe Logistics Co., Ltd., Tango Textile Co., Ltd., Suminoe Techno Co., Ltd. and Owari Seisen Co., Ltd.

		April 2016	April 2017	April 2018
Number of	Male	13	24	21
new graduates hired	Female	8	12	20

•Care for children, the elderly and other family members Each Group company in Japan is striving to prevent employees from leaving the company, due to childbirth or care for children, the elderly or other family members. Specifically, efforts are under way to further strengthen their systems to support employees in striking a balance between career and family life so as to ensure that they can continue working with peace of mind, and also to create an environment that helps employees easily use these systems.

Change in main data on personnel and labor-related results (in Group companies in Japan) FY 2015 FY 2016 FY 2017

		112013	1 1 2010	112017
Childcare leave, etc. *	Number of employees who took childcare leave	5	8	9
	Number of employees who returned to work after childcare leave	7	6	8
	Number of employees who reduced working hours	13	3	10
	Number of employees who advanced/postponed work start/ finish times	6	3	1
Family care leave, etc. *	Number of employees who took family care leave	0	0	0
	Number of employees who reduced working hours	1	1	0

\*Results as of May 31 of each fiscal year [Figures for FY2017 and onward were counted when employees took (or returned from) leaves.]

### Human Resource Development (Training System and Training Track Records)

Our education curriculum comprises various programs that are categorized into training by level, role training, and selective training. Taking training by level as an example, during the first three years after employment, young employees are required to take annual training sessions. After receiving training for new recruits, they undergo collective training designed for second-and then third-year employees. In fiscal 2018, the third-year employee training session was held on the theme of "Motivation Management and Developing Awareness of Individual Employee's Roles." The training was designed to allow trainees to reflect upon their own conduct to date since joining the company, and to remind them of what kind of work they could do now and the present issues confronting them, thereby enabling them to control their motivations. Moreover, trainees were encouraged to establish their own goals to be achieved as third-year employees, based on an understanding of the roles they are expected to play. The Suminoe Textile Group companies in Japan jointly implement training programs, which also serve as venues for deepening mutual exchange among employees participating from their respective Group companies.



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### Number of employees taking training (FY2017)

		•		
Training system		Total	Male	Female
Training by level, role training, and selective training (for skill improvement)	Collective training	173	139	34
Selective training (for self-development)	Correspondence course	98	59	39
	Language training	13	9	4

### [Impression of the training for third-year employees]

I was looking forward to receiving the training for third-year employees, as I wanted to make it a good opportunity to objectively reflect on myself and consider my future career. During the training, through various exercises and opinion exchange sessions. I was able to recognize anew what I take care of and what I should do so in my everyday work, and to deeply think about what kind of career I wish to pursue in the future. In addition, I was pleased to be able to enjoy exchange with third-year employees of other departments or other Group companies, with whom I seldom have contact in our usual routines. By understanding what the peers of my generation think in performing their duties, I received a positive stimulus from them.

Going forward, I want to work harder to accomplish my jobs. based on what I have learned and what I became aware of through this training.

### Takashi Kiyomizu Osaka Second Sales Department, Functional Materials Business Division Suminoe Textile Co., Ltd.



### Occupational Health and Safety (Safety Activities)

At each office/factory of the Suminoe Group, the Health and Safety Committee (in the case of a small establishment, the person in charge of health and safety) takes the lead in efforts to eradicate occupational accidents.

To promote occupational accident prevention activities, the Central Health and Safety Subcommittee consolidated and shared Group-wide "proposal instances regarding occupational health and safety," "on-site safety awarenessraising examples," and other information on the initiatives carried out at respective offices/factories.

Through these efforts, the Example of sa number of lost-worktime injuries was reduced. However, we failed to achieve a rate of lost-worktime injuries of "1.0 or lower," which we had set as



the target for fiscal 2017, due to [Nara Factory of Suminoe Techno Co., Ltd.] Sticker affixed to a stair handrail to significant increases both in the call employees' attention

### Occupational Health and Safety (Management of Working Hours)

The First Personnel Subcommittee, established under the CSR Promotion Committee, regularly reviews current employees' working hours, and based on the results, discusses improvement measures to reduce these hours. The Subcommittee held interviews with employees who stayed long hours at their workplaces and with their supervisors about the reasons and improvement measures, and also repeatedly called employees' attention to no-overtime days in the morning assembly. Consequently,

### Occupational Health and Safety (Prevention of Harassment)

As part of its effort to create a comfortable working environment, the Suminoe Textile Group has conducted harassment prevention training. During the past three years, a total of 1,252 employees at 22 offices/factories had received the training. In fiscal 2017, the training was provided mainly at offices/factories where we could not hold the training in the previous three years.

In the training, lecturers reported on harassment cases that may tend to occur at workplaces and the results of the Questionnaire Survey on Workplace Comfort (see

### Mirai-juku Program

We held the third "Mirai-juku" (lit. school of the future) program at the Head Office building of Suminoe Textile Co., Ltd., inviting applicants to attend the program, aiming at offering opportunities for exchanges of views between management and young/mid-career employees and at expanding their perspectives.

In the program this year, the President gave a lecture on the current status of the Suminoe Textile Group and its future business expansion, as well as accounting knowledge. The question-and-answer session proved to be a valuable time during which participating employees made various inquiries regarding the questions and troubles they had in their departments, the Group's future global expansion and other matters, and the

number of non-lost worktime injuries and the number of occupational accidents.

We will henceforth continue to implement risk assessments and consult with each factory/office about measures to reduce occupational accidents, by thoroughly decreasing risks and preventing the recurrence of similar accidents.

### Change in the incident rate\* of Group companies in Japan



Source: 2017 Workplace Accident Trend Survey, Ministry of Health, Labor and Welfare Incident rate: Accident frequency, measured as the number of deaths and injuries caused by industrial accidents per million working hours

we have begun to see these measures gradually produce effects. The results of the Questionnaire Survey on Workplace Comfort (see page 22) also showed a higher rating for the question regarding employee's working hours than in the previous surveys.

Going forward, we will radically improve the management of working hours, by concurrently identifying the actual operation status through a recurrence prevention project and establishing an information infrastructure.

page 22). Participants also took lectures on how to deal with harassment consultations, and how to use the contact points for harassment consultation, should they fall victim. Having received the training, participants made such comments as "Now I understand well the definition of harassment," and "Since I have learned there are consultation contact points close to me, I want to make effective use of them."

We will continue to work on awareness-raising activities in the future.

management expressed their views in answering these induiries.

After the lecture, a buffet-style party was held, providing a significant opportunity for employees to deepen their interactions the

with management through frank discussions. The party also provided a good opportunity to encourage interaction among employees from respective Group companies. We plan to continuously hold the Mirai-juku program



### **Together with Our Employees**

### Promoting Women's Empowerment and Supporting a Balance between Career and Family Life

This section reports on the progress made in the Women's Empowerment Promotion Plan, stipulated by Suminoe Textile Co., Ltd. and SUMINOE Co., Ltd. in March 2016.

### 1. Planned period : April 1, 2016-May 31, 2018

### 2. Targets and progress

Target 1 : Ratio of new female graduates hired Suminoe Textile Co., Ltd. ... 50% or more for administrative and sales staff, and 25% or more for technical and research staff SUMINOE Co., Ltd. ... 40% or more for administrative and sales staff

### New graduates hired (between 2016 and 2018)



Target 2: Establishing a system to enable female employees to continue working even after going through various life events, and to develop their career

Since fiscal 2016, we have developed a system to enable female employees to continue working even after various life events. Year after year, an increasing number of female employees are continuing to work after taking childcare leave, by striking a balance between career and family life.

In the last two years, we have seen a gradual increase in the number of female employees who were currently in mid-level or lower positions but were candidates for upcoming managerial positions. However, the actual situation is that the number of these female candidates is still lower than that of their male counterparts.

#### Target 3: Raising the rating of the question regarding women's empowerment by 0.1 points in the in-house employees' opinion survey(Questionnaire Survey on Workplace Comfort)

To our regret, the survey results showed that the rating has been on a gradual decline each year, leaving us the impression that the situation remains unimproved.

### [New Action Plan]

- 1. Planned period : June 1, 2018–May 31, 2020
- 2. Target : Further advancing the same targets that were set in the previous Women's Empowerment Promotion Plan, for the next two years

We will actively promote female employee recruitment, and further enhance the system to enable female employees to continue working even after going through various life events by supporting them in balancing work and family. We also continue initiatives to create an environment where employees can display their capabilities and develop their careers while devising training programs to enable each individual employee to play an active role in their workplace.

### Interviews with Female Employees Who Are Actively Working



Sayaka Yamazaki Management Department, East Japan Branch, SUMINOE Co., Ltd.

### Working with enthusiasm

My main work is to accurately process sales data, by checking sales slips submitted from sales divisions against the cost and quantity described in delivery notes. I can feel a sense of fulfillment when I can receive appreciative words from sales representatives after I have correctly accomplished my jobs without making mistakes.

In performing my duty, I have to be involved with people from many departments. For this reason, I am always trying to actively communicate with others, convey my intentions to them with enthusiasm, and understand what they want so as to anticipate what will happen a short time ahead. It is interesting to hear stories of the pains that sales representatives face in dealing with products and what they are really thinking, and even special tidbits sometimes. Having conversations with them also makes me happy, since I can feel that it is an indication of a close relationship established between us.

### Trust from others is the source of my motivation

Beside sales data processing, I am assigned to handle a wide range of general affairs, including jobs related to the recruitment of new graduates and reception work at company events. When I need to proceed with several tasks concurrently, I have difficulty in schedule management. However, because I myself like to engage with others, I enjoy my present work, which involves collaboration with various people. In particular, I willingly talk to my coworkers and younger employees so that we can build up relationships of mutual trust.

Nowadays, I realize that the people around me depend on me, as I have more opportunities to be entrusted tasks and to receive inquiries than before. I am making efforts every day to respond to the trust I receive from others, which is the source of my motivation.

### Aiming to become a person who can lead younger employees

I also took a training course for one year together with female employees from other companies. The course was very stimulating, since I had opportunities to exchange views with women seeking to develop their careers as well as working mothers. So far, I have worked with high motivation to become a dependable person at work. I will henceforth strive to acquire a broader range of knowledge,

to become a person who can lead younger employees, playing a pioneering role in advancing women's empowerment.



### Senior Employees Playing Active Roles



Koji Ando Isehara Center. Suminoe Logistics Co., Ltd. 1977 Joined Suminoe Kanagawa Interior Service (now Isehara Čenter.

Suminoe Logistics Co., Ltd.) 2006 Director, Isehara Center, Suminoe

Logistics Co., Ltd. 2014 Retired on reaching the mandatory age of 60

### What kind of attitude do you take in doing work every day?

Currently, I am in charge of work related to incoming and outgoing deliveries of interior products. To deliver ordered products to customers appropriately, I need to accomplish my duties in an efficient and accurate manner.

Ever since I joined the Suminoe Kanagawa Interior Service, which was the precursor to what is now the Isehara Center of Suminoe Logistics Co., Ltd., I have undergone truly varied experiences. When I worked as the Director of the Center, I was responsible for its management. Even now, I am working hard with a positive attitude to stay competitive with young people, at least in terms of practical knowledge.

I wish to impart my experiences and expertise to younger employees, who will take the lead in the next generation, and pass on my duties to them in the future.

### Is there any work that is particularly memorable to you?

I can remember a customer informing me that a carpet he had ordered had not yet arrived at the designated site at the scheduled time. This was because we had failed to smoothly communicate with the transport company. The carpet was due to be installed during the night, with workmen already standing by at the customer's site. Therefore we had no choice but to have the product reach the site. Then I worked with staff members to transport the product and managed to meet the deadline, with the cooperation of the people around us. When we were able to successfully complete the installation, we felt greatly relieved. It was very impressive work.

### Introduction of a Local Employee Working at an Overseas Subsidiary

### Indonesia: PT. Sinar Suminoe Indonesia (SSI)

Product Management Department Diana Gunawan





 Why did you want to join the company?
 What does your work involve, and what aspect of your work do you find the most interesting? What are your special strengths?

- What color is your personality? Which spots would you recommend in your local area?
- What is your favorite food?
- Which part of your country do you think is wonderful (or do you like)?
- Do you have any message to the employees at other Suminoe Textile Group companies?

① January 2012

2 Although I majored in a different field at university, I wanted to learn about fabrics. I also thought that if I joined the company, I could take on something new for me.

### How have you felt about your career so far in the company?

When I was working as the Center Director, I was under various pressures, which sometimes brought me a lot of headaches. Even in such cases, however, I could adopt a positive mindset by thinking decisively "I can work it out!" This experience made me aware that it is very important to change our way of thinking in doing our jobs.

Unlike in the previous years when I was in active service, I now feel released from the pressure in a good sense, and I have some mental space. I have also become able to do things speedily, taking advantage of my own past experience. Furthermore, I am now conscious of producing a pleasant atmosphere to enjoy working together with other members, by talking to them in a friendly manner and by other means.

### Message to those who continue working as Senior Employees

I believe it is important to continue to work, giving top priority to health. Although we have the same enthusiasm for work as before we were re-employed we should take greater care of ourselves, to do our best possible work.

### [Message from a Coworker]

Mr. Ando provides us with daily support in various aspects, based on his abundant knowledge and experience in serving for many years as the Center Director. He is a very dependable person. Since I have worked in sales departments, I am grateful that he teaches me the way of thinking and how to proceed with work from the viewpoint of a logistics department, as well as the importance of leading the Centers while communicating with employees.

In the future, I want to take over his knowledge and expertise as far as possible.



### Takashi Ogiso

Director, Isehara Center / Inashiki Center, Suminoe Logistics Co., Ltd.

- ③I am working at the product management department, where I hold a mediating position between my company and manufacturers, based on customers' orders. I find it interesting that the two departments with different characteristics and perspectives are working in cooperation.
- (4) The company's corporate culture that values cooperation, and its working environment. The culture and environment will allow me to achieve personal growth. I also feel that our teamwork for supporting each other is "Great!"
- (5) I am honest and friendly and devote myself to performing my duties.
- 6 Red, which represents braveness and powerfulness.
- ⑦ To name but a few, Tangkuban Perahu Mountain, Pine Forest, Kawah Putih Mountain, Floating Market, and Situ Patenggang Lake. Please come to Bandung!
- ⑧ Indonesian "fried rice" (also known as nasi goreng).
- (9) The country's culture of mutual cooperation at work ("gotong royong" in Indonesian) and culture of hospitality.
- 1 I'm really grateful to be a part of the Suminoe Group. I hope that our cooperation with other Suminoe Group members will continue to go well. Let's grow together with Suminoe!

## Together with Our Suppliers / Risk Management

We have established the Suminoe Textile Group Code of Corporate Behavior to be followed in conducting business activities. The Code of Corporate Behavior stipulates that Group companies should work to maintain and promote fair and free competition and abide by the law that prohibits acts requiring unfair trading of suppliers in purchasing activities. We also pursue management focusing on risk management. In fiscal year 2017, we carried out risk assessment at offices/factories in Japan, and activities related to risks and intellectual property rights at overseas subsidiaries.

### Together with Our Suppliers

### Fair Trade (Activities Relating to Compliance with the Subcontract Act)

The purpose of the Suminoe Textile Group is to "contribute to the improvement of society through the production and sales of good products, and a prosperous business." To this end, we consider that it is very important to deepen the relationship of trust with our suppliers. With particular emphasis on compliance with the Subcontract Act, we continue to take various measures to ensure the appropriate and smooth management of subcontracting transactions.

For instance, as educational and awareness-raising measures, the Legal Affairs Group of the CSR Promotion Department holds in-house seminars to prevent violations

of the Subcontract Act and promote employees' awareness of the Subcontract Act. Efforts have been made to improve the understanding level of participants, by such means as including answers to their questions submitted in advance, into these seminars. In fiscal 2017, a total of three seminars were held at three establishments, with 58 participants from 13 divisions. We will continue to make the relevant laws and regulations known to all employees, and to take various other measures, including those stated above. Through these endeavors, we aim to further reinforce our relationships with our suppliers.

### **Risk Management**

### Progress in Preparation of Business Continuity Plans (BCPs\*1)

In the event of a disaster, disseminating relevant information to customers speedily and accurately is key to ensuring that we can continue to maintain customer trust as a company. Based on this idea, our Group has been working to establish its business continuity plans (BCPs) focusing on collecting information regarding employees' personal safety and damage caused by the disaster, etc. At its Head Office building, Suminoe Textile Co., Ltd. has continuously held emergency drills, in which participants confirm the personal safety information following the in-house emergency contact rules based on the BCP, with particular emphasis on ascertaining how to behave in the event of an emergency.

When the northern Osaka earthquake occurred in June 2018, the personal safety information confirmation method that we had prescribed proved to work well in the same manner as in the disaster drills. The emergency headquarters were able to swiftly confirm the safety of

all employees.

We plan to apply the personal safety information confirmation drill across the Group in the future. We will also establish the method of communicating the Company's directions at the time of an emergency, as well as the rule to confirm safety information in a more reliable manner.



Emergency headquarters

\*1 BCP: Stands for "Business Continuity Plan," a plan developed to ensure that a company can continue and/or estore business operations, during a time of emergency due to a disaster, accident, etc

### Intellectual Property Management Efforts

Intellectual property includes patents, utility models, designs and trademarks.

To conduct constant business operations, planning, sales, R&D and production divisions must work in collaboration to promote activities to acquire intellectual property rights, in line with the business plan. It is also necessary to grasp and deal with the intellectual properties of other companies. From these two standpoints, we conduct intellectual property risk management.

To be more specific, we publish the Intellectual Property News on the in-house intranet, as part of our efforts to

provide intellectual property education for employees, regarding patent application (organization of the subject matter of inventions), judgment on similarity of trademarks, patent information (comparison between patent bulletins and the patent execution), the Unfair Competition Prevention Act, etc. Additionally, at regular technical meetings (held in Nara and Osaka), we introduce patent-related documents to participants, and present matters related to intellectual property rights. Going forward, we will continue to push forward with activities to apply for and acquire patents, to protect our business and enhance our competitive advantage.

### Risk Management at Offices/Factories in Japan

As for risk management at offices/factories in Japan, we strive to identify risks, mainly the risk of material misstatement in financial reports, based on the risks reported from Suminoe Textile Co., Ltd. and its Group companies. The Financial Control Committee examines the risk assessment results, which are also recognized by

### Risk Management at Overseas Subsidiaries

This section provides examples of vigorous risk management (RM) activities continuously carried out by SPM Automotive Textile Co., Ltd. in China, and RM activities that PT. Suminoe Surya Techno (SST) in Indonesia newly started to undertake this year.

### SPM (China): In its fifth year since establishing an RM development method as a model case

In the past four years, SPM has pursued the themes "Responding to a fire emergency," "Preventing the loss of employees," "Cost reductions," and "Strengthening supplier management." In October 2017, we reinforced audits by an external audit corporation, as part of our efforts to restructure internal control systems stipulated under the medium- and long-term plan to ensure full compliance. As a result, the external audit corporation pointed out various matters, clarifying the vulnerable points of the company's internal control system. Regarding these matters as the risks to be addressed, SPM set "Improving corporate management and preventing corporate risks" to its target for fiscal 2017, and launched initiatives to improve operations. The matters pointed out in the audit have been classified according to the levels of priority and difficulty. Every month, the RM committee checks the progress in the improvement initiatives. Beginning with the matters with

higher priority and that are easier to undertake, SPM has been making efforts for improvements.



On-site audit

### Securing an area dedicated for industrial waste





After improvement





Before improvement

participants of the management meeting. In implementing internal control, offices/factories in Japan have reduced risks to a certain level. We will henceforth promote the introduction of information technology (IT) to establish a system for mitigating each risk.

### SST (Indonesia): In its first year of introducing the RM system

Under the initiative of the Information Management Department of Suminoe Textile Co., Ltd., SST received five-months' support for its production reform from an external organization. We then visited SST and conducted an on-site audit to evaluate the subsequent situations. While we observed some improvements in the conditions within the SST factory, which had previously been partly confused, we found that the warehouse located outside the factory was poorly managed. Based on the judgment that this could cause an inventory variance, we proposed a method of introducing an inventory management system using barcodes and handy terminals, and it was adopted by SST. In the future, we plan to introduce QR codes and expand the system to cover the control of inventory entering and leaving the warehouse.

### • Neatly arranged products in an outside warehouse



Before improvement



After improvement

### Inventory management using barcodes



As mentioned above, we have visited overseas subsidiaries to conduct effective and efficient on-site audits of high-risk areas, while monitoring overseas subsidiaries from an auditing perspective. In so doing, the Suminoe Textile Group is strengthening RM at overseas subsidiaries.

## Under the Slogan of KKR+A



### Fundamental Environmental Philosophy

Recently deterioration of global environment has rapidly progressing. It is a mission in common among human beings who live on earth to make efforts to preserve and improve global environment and hand the beautiful earth to our descendants. Suminoe Textile Co., Ltd. well recognized this fact, will make a comfortable and rich society with a cooperation of all the employees positively tackling with environmental preservation activities.

### Suminoe Textile Group "SUMINOE Environmental Declaration"

In 2009, the Suminoe Textile Group reviewed its Environmental Declaration, originally released in 1998, and created a revised declaration comprising seven specific declarations on which we are basing our environmental actions.

### Declaration We shall contribute to the improvement of interior environments and realize comfortable spaces.

Our TRIPLE FRESH deodorant treatment is applied to carpets, curtains, wallpaper and automobile interior fabrics to deodorize unpleasant smells, such as cigarettes, pets, household odors, and Formaldehyde, which is believed to be behind sick building syndrome, by absorbing and dissolving the elements causing bad smells. Other efforts being made by us to create a comfortable and care-free living space include an anti-allergen treatment called ALLER-BLOCK, aimed at suppressing allergen activity, and a skin-care beauty treatment.

### Declaration We shall respond to the recycling society and positively adopt society and period

We are actively using recycled materials as part of our efforts to promote environmental conservation and the efficient use of natural resources. Specific products launched by us for that purpose include SUMITRON polyester yarn, which is made from recycled PET bottles, a recycling system for carpet tiles in which used tiles are recollected and recycled into new products, the SUMICUBE seat cushion material for railway cars, and the SE Light N simplified raised floor material, made from PP resin, recycled from beer cases.

#### We shall provide products that enable Declarat the reduction of CO<sub>2</sub> and decrease 3 our impact on the environment.

To play a part in curbing global warming and building a low-carbon 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 cycle of productsmaterials, manufacturing, transportation, use, and disposal.

### Declaration We shall use safe/secure materials and always consider health and the environment environment.

We will provide products that have passed safety rules and regulations, while refraining from supplying products that contain volatile organic compounds (VOC), believed to cause sick building syndrome, or heavy metals, which require special attention in disposal. Instead, we will actively use natural fabric materials such as wool, hemp, and cotton. In addition, we will make consumer-friendly products, such as flooring mats using Olefin film, which is known to emit a minimal amount of toxic gas during burning.

#### Declaration We shall work on resource and energy conservation from manufacturing 5 to the finished product.

We will promote the effective use of resources by reducing losses of primary materials, auxiliary materials, water and energy occurring in production. We will also strive to increase the efficiency of transportation, resources utilization, and waste disposal by constantly updating energy-saving facilities, improving product quality, reducing the weight of products, and simplifying packaging. By taking these measures, we will ensure the saving of resources and energy conservation.

#### Declaration We shall promote the appropriate management of environmentally hazardous substances 6 based on the latest information.

Tougher controls have been in place both in Japan and abroad on the use in products of specified chemical substances. In response to such moves, we will assess all our products and check whether such substances have been used, while establishing a system to adequately control the materials used in our products, based on the Supply Chain Management (SCM) concept. Furthermore, we will keep ourselves abreast of the latest information on product safety.

### Declaration We shall present and provide products that are conscious of the environment.

Our environmental consideration in manufacturing will be given not only to external product appearance and functions but also to other factors, such as minimizing resources and energy consumption in the process of production, making product recycling easier, manufacturing longer-life products and optimizing waste disposal. We will propose and deliver products based on such an "eco-design concept."

### Guideline on Activity

### In carrying out environmental conservation activities

- 1 We will positively promote energy-saving, resource-saving, and recycling with a consideration not to contaminate environment in all of our business activities.
- 2 We will try to preserve environment through products' life cycle from production, sales to disposal by developing environment-friendly technology and products. ① Development of technology for energy-saving and resource-saving
  - <sup>(2)</sup> Development of recycling technology and recycling system
- ④ Development of product which could improve environment and contribute to health and comfort
- **3** We will try to live together with community through close communication and all employees will start action from whatever one can do.
- 4 We will try to maintain internal system to promote environmental protection and enhance environmental consciousness of all employees.

### Environmental Protection Promotion System

The Environmental Promotion Subcommittee was set up within the CSR Promotion Committee. Measures drawn up and finalized by the subcommittee are implemented in all divisions and departments throughout the Group.



### Introduction of environmental management system

The Nara Factory obtained ISO14001 certification in fiscal 2000, making it the first among the Group to be awarded certification on environmental management. To date, five factories have obtained ISO14001:2004 certification, and one factory Eco Action 21 certification.

	ISO14001:2015			Eco Action 21:2009	
	Nara Factory, Shiga Factory	Teijin Tecloth Ltd.	Owari Seisen Co.: Head Office Factory, Ishikawa Factory	Tango Textile Co.	
Screening and registration agency	Japanese Standards Association	Japan Quality Assurance Organization	Japan Quality Assurance Organization	Institute for Promoting Sustainable Societies	
Registration number	JSAE 235	JQA-EM1519	JQA-EM3114	0009522	
Registration date	May 2000	April 2001	March 2003	July 2013	
Registration renewal	6th renewal completed (May 2018)	5th renewal completed (April 2016)	5th renewal completed (July 2017)	2nd renewal completed (July 2017)	

③ Development of products and technology to replace materials which would put less load on environment and have more safety

## Fourth Medium-Term Activity Goals - Eco Challenge 2018-

## Eco Challenge 2018 (Fiscal 2017 Results)

### Environmental commitment

Business activities undertaken by the Suminoe Textile Group are deeply connected to the environment. This holds true to our daily operations, as well as to the entire lifecycle of our products—from product development and design, material procurement, production, sales, distribution, consumption, disposal and recycling. The Suminoe Textile Group is working on assessing and reducing the impact on the environment from our business activities as a whole and our products throughout their lifecycle. We are committed to manufacturing environmentally friendly products. One example is active use of recycled materials, including polyvinyl chloride powder recycled from used carpet tiles, and raw cotton and polyester pellets recycled from PET bottles. In conducting CSR activities, we also focus on environmental conservation, and Group-wide efforts are underway to achieve the goals set under Eco Challenge 2018.

### Eco Challenge 2018 (Fourth Medium-Term Activity Goals)

We have formulated Eco Challenge 2018 (Fourth Mid-Term Activity Goals), as a set of goals on environmental protection. Its duration is three years from fiscal 2015 to 2017, during which we promote environmental activities.



★Domestic factories : Subject to meeting numerical targets on the use of recycled materials, the amount of industrial waste generated (the recycling rate and the rate of industrial waste disposed of at final disposal sites) and the amount of PRTR-designated substances handled ☆Overseas factories : Subject to meeting numerical targets only regarding energy consumption and water consumption

### Period: Fiscal 2015–2017 (three-year plan; data collection lasting between June 2015 and May 2018)

### Activity Goals and Fiscal 2017 Results

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

Activity Goals and Fiscal 2017 Results			O.Attained 2.1	iot attain		511C3 X.1101 at	lance
No	Work areas		Final numerical targets	Base FY	Numerical targets for FY2017	FY2017 results	Evalu- ation
1	global warming	Reduction of energy consumption	3% reduction(Basic unit)	2014	-3%	-10.1%	0
		Reduction of fuel consumed by company-owned vehicles	3% reduction(Basic unit)	2014	-3%	-27.4%	0
	Resources conservation	Reduction of water consumption	3% reduction(Basic unit)	2014	-3%	3.8%	
		Increased utilization rate of recycled material	3% improvement	2014	3%	0.9%	
		Reduction of industrial waste	3% reduction(Basic unit)	2014	-3%	-4.9%	0
	3Rs regarding waste material	Increase of recycling rate	65% or more	-	65% or more	67.9%	0
		Reduction of waste disposal rate via land reclamation	10% or less	-	10% or less	10.9%	
4 environr	Prevention of	Reduction of air pollution (reduction of NOx emissions)	3% reduction(Basic unit)	2014	-3%	-5.8%	0
	pollution	Reduction of emissions reported under PRTR system	3% reduction(Basic unit)	2014	-3%	-14.5%	0
	Promotion of	Improvement of green stationery purchase rate	95% or more	-	95% or more	87.6%	
	green activities	Reduction of paper consumed by photocopying	3% reduction(Total amount)	2014	-3%	5.1%	
6	Promotion of LCA assessment for products		18 items under LCA assessment	-	6 items	34 items	0
_	Promotion of development of environment-friendly technologies		3 cases	-	1 case	1 case	0
7 Promotion of	Promotion of de	evelopment of environment-friendly products	9 cases	-	3 cases	3 cases	0
8	Promotion of biodiversity preservation in business activities		-	-	_	-	_
9	9 Consolidation of data on environmental impact of overseas factories and reduction of such impact		Compilation of data for all overseas factories	2014	+2 companies	0 companies	×

Basic unit : Consolidated sales used as a denominator for calculation

Conversion coefficient : The amount of CO<sub>2</sub> emissions is calculated based on a conversion coefficient set in accordance with the law to promote measures against global warming. The amount of NOx emissions is calculated based on a conversion coefficient used in the 2002 edition of Eco Action 21. The amount of CO<sub>2</sub> emissions at overseas factories is calculated based on a conversion coefficient set for each country in the 2007 GHG protocol.

Fiscal 2017 results are shown divided into two categories: consumption (input), and waste generation and emissions (output). By promoting environmental activities under this three-year plan, the Suminoe Textile Group achieved significant results in the prevention of global warming, prevention of environmental pollution, etc.

## INPUT



We are promoting the cyclical use of cooling water. In fiscal 2017, our water consumption increased as a consequence of an increase in the production of automotive-related products.



Increased Utilization Rate of Recycled Materials

Resources conservation

We are actively using recycled materials for product manufacturing to make savings in resources. The utilization rate of recycled materials has leveled off, due to an increase in the production of products with a low recycling rate at the main factories.







### Environmental Management

### Eco Challenge 2018 (Fiscal 2017 Results)

## NPL



**Designated Substances Handled** Atmospheric emissions of deca-brominated diphenyl ether (DBDE), used as a fire retardant, and perfluorooctanoic acid (PFOA), used as a fluorosurfactant, are being replaced by safer alternatives, as their use is likely to be banned in the future.

### Reduction in amount of PRTR-designated



## Reduction of air pollution



Substances that may become air pollutants include NOx, SOx, and other fine particles. NOx is used here as an example to explain the situation of air pollution. The amount of NOx emissions is calculated based on the emission coefficient used in the 2002 edition of Eco Action 21 for facilities where no emission-cutting measures were taken.



2015 2016

2014

## **GREEN PURCHASING**

The Suminoe Textile Group is committed to environmentally friendly business practices in all areas, including non-production domains.

Prevention of global warming

0 -

### Reduction of Fuel Consumed by **Company-Owned Vehicles**

We are striving to reduce fuel consumption by companyowned vehicles by promoting eco driving, and adopting a policy of actively switching to fuel-efficient vehicles. We steadily achieved our targets, throughout the period of environmental activities promoted under Eco Challenge 2018.



### Improvement of Green Stationery Procurement Rate

We are actively promoting purchases of environmentally friendly office equipment and supplies to reduce their impact on the environment across the entire life cycle of such products, from collection of materials to disposal.

In the future, we will add momentum to green purchasing, by such means as strengthening measures to increase the green purchasing rate at some offices/factories that did not attain the target.





### Reduction of Paper Consumed by Photocopying

We are making efforts to reduce the use of photocopy paper by promoting the use of the in-house intranet and printing on the reverse side of used paper. We will continue working to carry on a long-term reduction trend.

Promotion of Green Activitie

### Change of consumption of photocopy paper



### Promotion of LCA Assessment for Products

### Promotion of LCA\* Assessment for Products (6 Items Targeted)

We have established a system to conduct in-house LCA assessments for products, with a total of 18 items set as assessment targets for the three years from fiscal 2015 to 2017. We carried out LCA assessments for 34 items under seven marks of the "closed-loop recycling" ECOS® series of carpet tiles in fiscal 2017, exceeding the target of six items for that year.

\*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

### Promotion of Development of Environment-Friendly Technologies / Promotion of Development of Environment-Friendly Products

Promotion of Development of Environment-Friendly Technologies (One Goal Set)

### トリプルフレッシュ®ケア (TRIPLE FRESH Care) We have developed a treatment technology for curtains used

at nursing-care facilities. This technology combines a deodorization function that is exceptionally effective for smells related to nursing care, with flame retardancy.

, Target attaine  $\cap$ 

### Environmental Activities for Preserving Biodiversity in Business Operations

Factories run by the Suminoe Textile Group have been undertaking various unique activities since fiscal 2013 in order to protect biodiversity based on the environmental protection guidelines the Group adopted in fiscal 2011.

### Activity Policy

### **1** Reduction of impact on biodiversity

- from business activities
  - Monitoring the situation on biodiversity around factories and their vicinity
  - · Using locally-grown native species, not nonnative species, for tree planting

  - Periodically cleaning areas near factories and improving environmental conditions there by weeding out grass
  - Checking sustainability when biological resources are used as product material
  - · Promoting development of products with recycled material and building a recycling system to manufacture such products
  - · Incorporating activities for biodiversity preservation into an environmental management system
- Promoting new measures that are possible at each factory for preservation of biodiversity

### 2 Activities to seek suppliers' cooperation in reducing impact on biodiversity across the entire supply chain

 Seeking cooperation from suppliers in observing green purchase guidelines, to promote our efforts to preserve biodiversity

### 3 Social contribution activities

- Supporting groups engaging in forestry preservation activities
- Supporting green charity activities





Promotion of the Development of Environment-Friendly Products (3 Goals Set)

- **1** Smart Veil, a voile curtain that intercepts the sunlight in summer and welcomes it in winter
- **2** Kakidanomi, a supplement whose raw material is a persimmon polyphenol extracted frompersimmon (kaki) fruits that have been thinned out.
- **3** RUNON Rin, paper for fusuma (sliding paper doors) made from more than 85% recycled paper, using eco-friendly printing technology



### Activity Results

[Nara Factory of Suminoe Textile Co., Ltd.] As a member of the Ando Ouyu-Kai (Ando Association for Growing Cherry Trees along the Okazaki River), the factory has taken part in activities to develop a promenade in the area along the Okazaki River (Ando Town, Nara Prefecture) flowing south of the factory, by improving a cherry tree-lined road. In the area, events are held to enjoy viewing cherry trees protected and grown through these activities, offering a place of relaxation for local residents. [Shiga Factory of Suminoe Techno Co., Ltd.] The "Sasayuri" lily is the flower of Koka, the city where Shiga Factory of Suminoe Techno Co., Ltd. is located. However, the population of the Sasayuri lily, which symbolizes the harmonious coexistence of people and nature, has been on the decline in recent years. The factory's employees have been working on propagating the Sasayuri, by growing its bulbs and planting them in the ground within the factory premises. They are pleased to see Sasayuri lilies beautifully blooming every year. [Factory at the head office of Owari Seisen Co., Ltd.] The factory has been supporting the project which is working to revive fireflies on the Kiso River and in other wetland areas, as a member of the Ichinomiya Heisei Firefly Association.



## Social Contribution Activities

As a corporate citizen living together with people in the local communities, the Suminoe Textile Group will proactively engage with society, and strive to preserve the local environment and facilitate regional revitalization.

### Local Cleanup Activities

Each factory/office actively participated in cleanup activities, with the purpose of beautifying the surrounding area. We will continue to take part in these activities, with each individual employee remaining well aware of environmental protection.



Teijin Tecloth Ltd. "Gomi Zero" Campaign (Inazawa Garbage Reduction Campaign). May 2018





Owari Seisen Co., Ltd. About 60 employees participated in a cleanup of roadside ditches in the neighborhood. June 2017

### Cooperation with Educational Institutions (Company Tour)

The Tokyo Branch of Suminoe Textile Co., Ltd. has been providing cooperation for a company tour program, which nearby schools have been promoting as part of career education

In September 2017, six students visited the Tokyo Branch, where they experienced interior coordination using real curtains and rugs. They also held discussions on "What should a company be?" and "Why do we study?" in order to learn about society from a broad perspective.

Participating students expressed their impressions of this program, making such comments as "I enjoyed simulating coordinating the interior of a principal's office," and "I want to make effective use of what I experienced in this company tour in the future."



Students experience nstalling a curtain

### Support for Obtaining Graduation Qualification

In Mexico, primary school education is compulsory, but approximately 10% students drop out of primary school. The dropout percentage is particularly high in the state of Guanajuato, where Suminoe Textile de Mexico, S.A. de C.V. (STM) is located. STM has been supporting the state program intended to support dropouts in qualifying to graduate from primary school, by offering applicable employees with the opportunity to take a qualifying examination.

In fiscal 2017, five employees took the examination and all of them passed. After successfully passing the exam, an employee said "Now I feel confident in myself. I shared this delight with my family." Of these employees, two are now studying hard to further obtain the qualification of graduation from junior high school.



### History Column (Part 5)

### Latter Half of the Showa Era (1957–1989) -In Tandem with Japan's Economic Growth-

We were privileged to receive orders for interior textiles to be delivered to the new Imperial Palace on the occasion of its construction. To fulfill these orders, Suminoe Textile manufactured products by bringing together all the techniques and skills that had been cultivated through its half century-long tradition.

In 1971, the Nara Factory was completed, with newly installed tufting machines. The rhythmical sound of the sewing needles echoed through the factory.

### Listening to a Former Employee about Suminoe Textile in the Showa Era

We called on a former employee of the Company, who had played a role in shaping Suminoe Textile's history of 135 years, to ask about his work and the situation of Suminoe Textile at that time.

Speaking of the work most memorable for me, I first recall the manufacture of products supplied for the new Imperial Palace. We produced a figured fabric\*1 to coat the wall of the Seiden state function hall. The fabric was about 4 meters long and about 3 meters wide, designed with a pine leaf pattern. Beginning with producing the prototypes in 1966, we always worked under pressure until we successfully delivered the finished products. I am totally confident that we were able to create splendid products. I was particularly impressed by the overwhelming atmosphere of the large state banquet hall (Homeiden $^{*2}$ ), with gorgeous chandeliers hanging from the ceiling, and the floor laid with a carpet manufactured and supplied by Suminoe Textile. The carpet features a design based on a painting by Mr. Yasushi Sugiyama, a distinguished Japanese-style painter.

I was also honored to be able to participate twice in the

manufacture of sacred apparel and sacred treasures for

the Ise Shrine Shikinen Sengu ceremony (the transfer of

the shrine's sacred object to a newly constructed main

hall). Although I had a truly hard time before these

### **Editorial Postscript**

Thank you very much for reading our CSR Report 2018. This present report carries information on the Medium-Term CSR Plan, which we have newly formulated. This plan selected priority matters on which the Suminoe Textile Group would focus for the next two years, referencing the international reporting guidelines. Going forward, we will steadily promote both the medium- to long-term recurrence prevention plan and the Medium-Term CSR Plan, in order to enhance our





and-woven carpet supplied to the omeiden state panquet hall

products were delivered, now I can feel that it was a great honor to be involved in these wonderful tasks. In addition, as a technician, I obtained a national certification of "Professional Engineer," which not only proved helpful in my work, but also allowed me to have more opportunities to interact with various people.

In the factory where I worked at that time, there were experienced technicians and many workers coming from distant places. I can remember that in my 30s, I formed a mountaineering group with my coworkers and frequently went to the mountains.

\*1 Figured fabric : A fabric in which patterns or motifs are produced by a combination of various weaves and/or by colored threads. \*2 Homeiden : A state banguet hall of the Imperial Palace, where a banquet dinner is hosted for national guests.

### Mr. Tatsuji Ugai

Joined the Company in 1947. After working in the manufacture of moquette, carpets and drapes at the Sumiyoshi Factory, the Kawachi Factory and the Kyoto Factory for more than 30 years, he also became

subsequently he contributed to the company through his work investigating the flags displayed at the Imperial Palace



corporate value, with the view of becoming a company trusted by its stakeholders. In this respect, we would be grateful if you could give us your candid opinions and comments about the Group's CSR activities by answering the questionnaire, for future reference.

In closing, I would like to express our deep appreciation to all those who have provided us with such generous understanding and cooperation in publishing this report.

Secretariat : Chisaki Sugiyama CSR Promotion Department

> Meeting to compile articles for this CSR Report