

 **Suminoe Textile Co., Ltd.**

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Suminoe Textile Group
CSR Report
2019





Offering Amenity Spaces and Enriched Lifestyles

For over 136 years since its inception, the Suminoe Textile Group has always endeavored to produce even better products in response to social needs that it has identified. As a textile manufacturer, we will continue to embrace challenges to create state-of-the-art living spaces.

Editorial Policy

This CSR Report is published with the aim of helping all stakeholders deepen their comprehensive understanding of the Suminoe Textile Group by reporting on its management strategies, businesses and CSR activities.

Period Covered

Fiscal year 2018 (From June 2018 to May 2019)
(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 2019
(The next report will be published in December 2020.)

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Seeking to be a Company that Continuously Contributes to the Realization of a Sustainable Society



Introduction

In May 2019, Japan entered the new era of “Reiwa.” Ever since its founding in the Meiji Period (1868—1912), the Suminoe Textile Group has offered enriched lifestyles by delivering products that help create comfortable housing, and pleasant building and vehicle interiors. In the Reiwa period, which has just begun, and also into the future, we will seek to achieve business growth and strive to contribute to the realization of a sustainable society.

Progress in the Three-Year Medium-Term Management Plan “2020”

The Company launched its 5th three-year medium-term management plan “2020” in June 2017. Under the plan, we have carried out various measures on two themes: restructuring of corporate governance, and growth of business.

Restructuring of corporate governance

We have continued to encourage interactive communication between management executives and employees, to promote compliance and review the management system. The Suminoe Textile Group is pushing forward with the restructuring of its core operation system on a global basis, to ensure that we can grasp information on income and expenditure and inventory status on a timely basis, and make effective use of such data for business decisions, thereby conducting efficient and effective monitoring. In the future, based on the knowledge obtained in the first phase of this system restructuring, we will make improvements in accordance with the actual conditions of each business segment, and apply the improved system company-wide in earnest.

In July 2019, the Nomination and Remuneration Committee was established as an advisory body to the Board of Directors. The Committee aims to strengthen its oversight function by

increasing transparency and objectivity in the evaluation and determination process concerning the nomination and remuneration of Board members, thereby further enhancing the corporate governance system.

Growth of business

To meet customer needs in a flexible and timely manner, we boldly take on challenges consistent with three themes: expansion of product lineups, strengthening of our response to globalization, and development and sales of high value-added products.

We promote “expansion of product lineups,” by proposing seat coverings using new materials in the automotive textiles business. In the interior fittings business, we have expanded our lineup of highly functional products, including hard floor materials that look like real wood or stone, transcending the boundaries of conventional fabrics. In terms of “development and sales of high value-added products,” our efforts are focused on product commercialization by taking advantage of open innovation. For example, we hold new product development meetings involving persons in charge of development and sales, actively participating in exhibitions in cutting-edge fields, and accelerate joint research with external organizations.

Satisfying Social Needs

As the phrase goes, “A company is a public entity of society,” companies must always be of service to society and have their value recognized by society. At the time of its founding in the Meiji period, the Company commenced its business to meet social needs including the modernization of such facilities as the Imperial Diet Building and railways. Since then, Suminoe Textile has expanded its business while anticipating the needs of the times, focusing on the latest trends in society.

Nowadays, ESG (Environment, Society and Governance) is attracting increasing attention as a new set of indexes for

investors in choosing companies to invest in. Meanwhile, the world has begun to see a groundswell in building a sustainable society, as exemplified by the adoption of the Paris Agreement and the Sustainable Development Goals (SDGs). In this respect, since more than 20 years ago, the Suminoe Textile Group has strived to expand sales of environmentally friendly products and develop technologies conducive to health-related fields, in response to the growing demand for measures to protect the environment and to create a sustainable society. For instance, in 2011 Suminoe Textile released its mainstay product—the ECOS® series of recycled carpet tiles produced under a “horizontal recycling” system. ECOS® has realized a technology for recycling resources into the same products, by producing raw materials for new carpet tiles from used carpet tiles, for which there has conventionally been no alternative other than disposal in landfills. As a result, it has achieved a post-consumption recycled material usage rate of up to 84%, which is unprecedented throughout the world. This eco-friendly product series is the culmination of our initiatives promoted under the philosophy of “KKR+A (Kenko [Health], Kankyo [Environment], Recycle and Amenity),” which we have cultivated as our management foundation. ECOS® is also in line with one of the SDGs: “Responsible consumption and production.”

Going forward, we will intensify our efforts to develop even better products, by constantly exploring social needs.

Initiatives to Maximize Human Power

Human resource development is indispensable for our Company to continue transforming itself for further growth over the next 50 to 100 years. In Japan, the shortage of human resources and an increasing number of employees leaving their jobs due to child/family care have become serious matters of concern. It is also part of a company’s responsibility to protect its employees. The Suminoe Textile Group puts its energies into creating a

working environment that ensures diverse human resources can work together happily and actively, regardless of gender, age, or nationality. The Group also places emphasis on improving the capabilities of mid-career employees mainly in their 30s and 40s, to develop human resources who will take the lead in the next generation. Meanwhile, as part of our efforts to promote reform of working practices, we are committed to enhancing work efficiency by using information technology (IT) and to helping employees realize a better work-life balance.

Promoting External Communication

In conducting our corporate activities, we attach the greatest importance to winning “trust” from stakeholders. To further deepen their understanding of the Group, we focus on promoting external communication. In 2019, each Group company redesigned its website in order to provide more substantial information. Moreover, beginning in April 2019, Suminoe Textile Co., Ltd. has held the Exhibition on the History of Train Interiors, first at its showroom in Osaka and then in Tokyo.

The Suminoe Textile Group will continue to proactively communicate with its stakeholders so that they obtain a better understanding of the Group and its activities, and build even more beneficial relationships with stakeholders by promoting our diverse values.

The amenity and lifestyles required by people vary according to the times. In any age, we remain committed to pursuing and helping to realize such amenity and lifestyles.

December 2019

Chairman and President
Suminoe Textile Co., Ltd.

吉川 一三

Contributing to Enriching People's Lives by Manufacturing Environmentally Friendly Products that Feature both Excellent Design and Functionality

Automotive Textiles Business

Global Supplier

Supplying a Total Line of Automotive Textiles, from Floors to Ceilings

The greatest feature of our Company is that we can supply a total line of automotive textiles, from floors to ceilings, including headliners, seat covering materials, car mats, and floor carpets. Outside Japan, the Suminoe Textile Group has now expanded its overseas presence by setting up 12 manufacturing and sales sites in six countries (the United States, Mexico, China, Thailand, Indonesia, and India), thereby creating a globally optimized supply system.

Future Direction and Growth Strategies

While actively proposing new seat covering materials, we encourage the use of fiber to make components that we have not handled thus far. In so doing, the Suminoe Textile Group works to expand the scope of its product supply, thereby promoting the diversification of its business as a total supplier.

- ① Expand the markets for new products and new components.
- ② Improve quality, cost competitiveness, and delivery systems (QCD).
- ③ Enhance productivity by developing a core system.
- ④ Establish a human resource development system to strengthen our response to globalization.



Seat covering materials



Floor carpets

Car mats

Interior Fittings Business

Environmentally Friendly Products that Meet the World's Highest Standards

Product Development Capitalizing on Our Own Technological Capabilities

The Suminoe Textile Group provides a wide variety of interior products that feature both excellent design and functionality to public facilities, hotels, schools, hospitals, and office buildings, as well as for general households.

We are also committed to developing eco-friendly products under the theme of KKR+A, or *Kenko* (Health), *Kankyo* (Environment), *Recycle* and *Amenity*.

Future Direction and Growth Strategies

We will expand our brand business in line with the basic policy of ensuring "a Suminoe that excels in environmental measures" and "development of one-of-a-kind products."

- ① Strengthen sales of new products, including "LVT" hard floor materials with high functionality and quality and "2tec2" woven vinyl high-tech flooring that features outstanding durability.
- ② Strengthen sales of "HOME" Series, which has enhanced functionality.
- ③ functionality.
- ④ Strengthen sales of made-to-order curtains "mode S*" and "U Life*." Expand sales of "DESIGN LIFE*" and "Disney Home Series," both of which enjoy great popularity.

Office buildings and commercial facilities



Carpet tiles



BERRY ALLOC® PURE LVT

Hotels and halls



Hand-woven carpets and hooked rugs



Plush hand-woven curtains

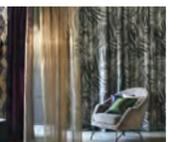


Nishijin brocade fabric
Coin purses and card holders

Households



Rugs and mats



Curtains



Wallpaper, sliding paper doors

Traffic Facilities Business (Interior Materials for Trains / Buses / Ships / Aircraft)

Creating Safe and Comfortable In-Car Environment

Offering Total Proposals for Interior Materials

We have supplied our products to JR, private railways and publicly operated transportation services, maintaining the top market share for more than a century.

Currently, the Suminoe Textile Group offers total proposals for seat coverings, curtains, wall materials, flooring materials and other interior materials for public transportation systems, such as Shinkansen bullet trains and other trains, buses, and ships. We also deliver environmentally friendly products, including SUMICUBE® seat cushion material, which excels in terms of both safety and environmental performance.

Future Direction and Growth Strategies

We will establish a system to offer not only basic textile materials but also other interior components as a whole, including resin components for traffic facilities.

- ① Expand our market share, develop new products and expand sales of interior materials for buses.
- ② Expand sales and augment the manufacturing sites of cushion materials for trains.
- ③ Increase the market channels of products for improvement of vehicle safety (high-durability signage film, etc.).

Interior materials for trains



Interior materials for buses



Interior materials for ships



Functional Materials

Expanding Applications of Functional Materials into New Fields

In Pursuit of Endless Business Possibilities

The Suminoe Textile Group has delivered products that incorporate its unique technologies we have accumulated, such as トリプルフレッシュ® (TRIPLE FRESH) deodorizing filters and olefin bathroom flooring. In addition, the Group offers new value in the fields of functional materials (スミノエバイオテック® [SUMINOE BIOTECH]) based on biotechnology and functional food, in keeping with the theme of KKR+A, or *Kenko* (Health), *Kankyo* (Environment), *Recycle* and *Amenity*.

Future Direction and Growth Strategies

We will improve our ingenuity and business development capabilities so as to enhance our product value and expand our business.

- ① Strengthen the production and supply system for hot carpets and promote the development of new household electrical appliances, including small appliances and health appliances.
- ② Develop product applications, taking advantage of our unique processing technologies and functional materials.
- ③ Strengthen the supply and sales system for bathroom flooring materials and improve their functions.
- ④ Strengthen the development and sales functions of the deodorizer and filter business and expand sales of deodorizers and filters in various categories.
- ⑤ Expand the Internet and brick-and-mortar marketing channels for the 柿ダノミ® (Kakidanomi) supplement and develop new functional food products.
- ⑥ Promote the development of new products with international competitiveness in the aircraft business.
- ⑦ Promote commercialization of smart textiles.



Interior materials for aircraft

Persimmon peel polyphenol supplement

スミノエバイオテック® (SUMINOE BIOTECH)



The Tispa Series "Real Odor Deodorization without Disguising with a Scent"

Electric carpets

Deodorant air filters for air purifier



Bathroom flooring

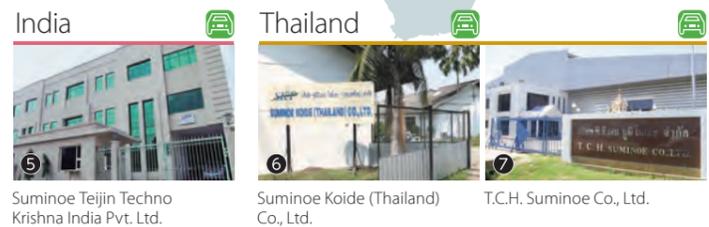
CLOTHCABIN®

Roofing materials

Global Operations of the Suminoe Textile Group

The greatest strength of the Suminoe Textile Group lies in maximizing the capabilities of all Group companies through close cooperation between experts in research and technological development, production and sales.

- Interior fittings business
- Automotive textiles business
- Traffic facilities business
- Functional materials business
- Arts and crafts textiles



Offices/Factories of Suminoe Textile Co., Ltd.

- 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)

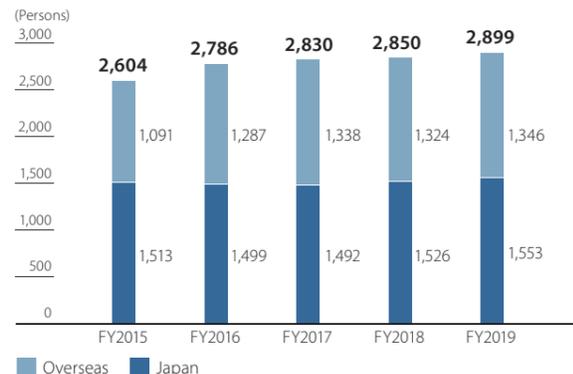
Major Group companies in Japan (head offices)

- 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. (Matsubara City, Osaka Prefecture)
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. (Osaka City)
Production and processing of carpets, continuous fiber spinning (including recycling), and production and sales of needle punch carpets
Shiga Factory (Koka City, Shiga Prefecture)
Nara Factory (Ikoma-gun, Nara 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 Teclath Ltd. (Inazawa City, Aichi Prefecture)
Production and sales of automotive seat covering materials, chair upholstery fabrics, and clothing textiles
- Owari Seisen Co., Ltd. (Osaka City)
Dyeing and finishing of automotive seat covering materials and interior fabrics
Head Office (Ichinomiya City, Aichi Prefecture)
Ishikawa Factory (Nomi City, Ishikawa Prefecture)
- Sewing Hyogo Co., Ltd. (Tamba City, Hyogo Prefecture)
Sewing and processing of fabric products

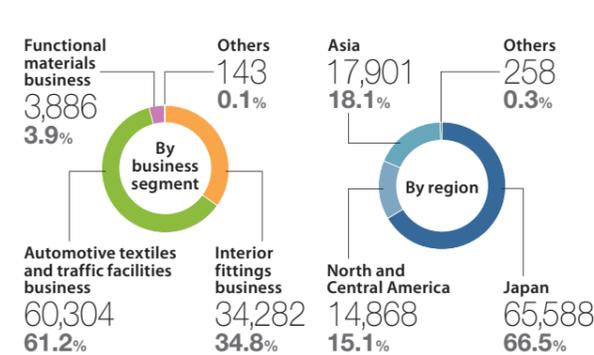
Corporate Summary (As of May 31, 2019)

Name of Company: Suminoe Textile Co., Ltd.
 Head Office: 11-20, Minami-Semba 3-Chome, Chuo-ku, Osaka 542-8504 Japan
 Founded: 1883
 Incorporated: December 25, 1913
 Suminoe Textile Joint-Stock Company
 Organizational Change: December 26, 1930
 Suminoe Textile Co., Ltd.
 Capital: 9,554,000,000 yen
 Number of Employees: 260 (Consolidated group companies: 2,899 employees)

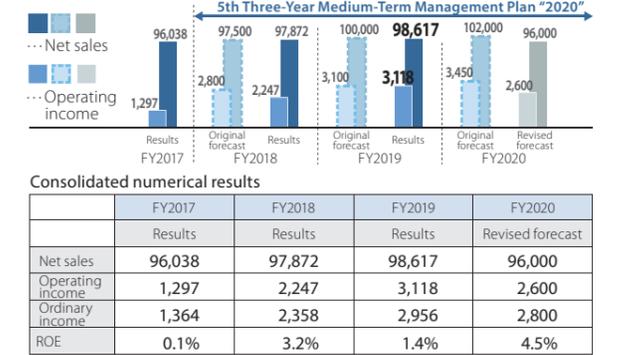
Changes in the number of employees



Net sales breakdown (fiscal year ended May 31, 2019)



Consolidated numerical targets and results



1 Suminoe Textile Group and SDGs

Feature Sustainable Development Goals

Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) were adopted at the United Nations Sustainable Development Summit in September 2015. SDGs comprise 17 goals with 169 targets to be achieved at the global level between 2016 and 2030.

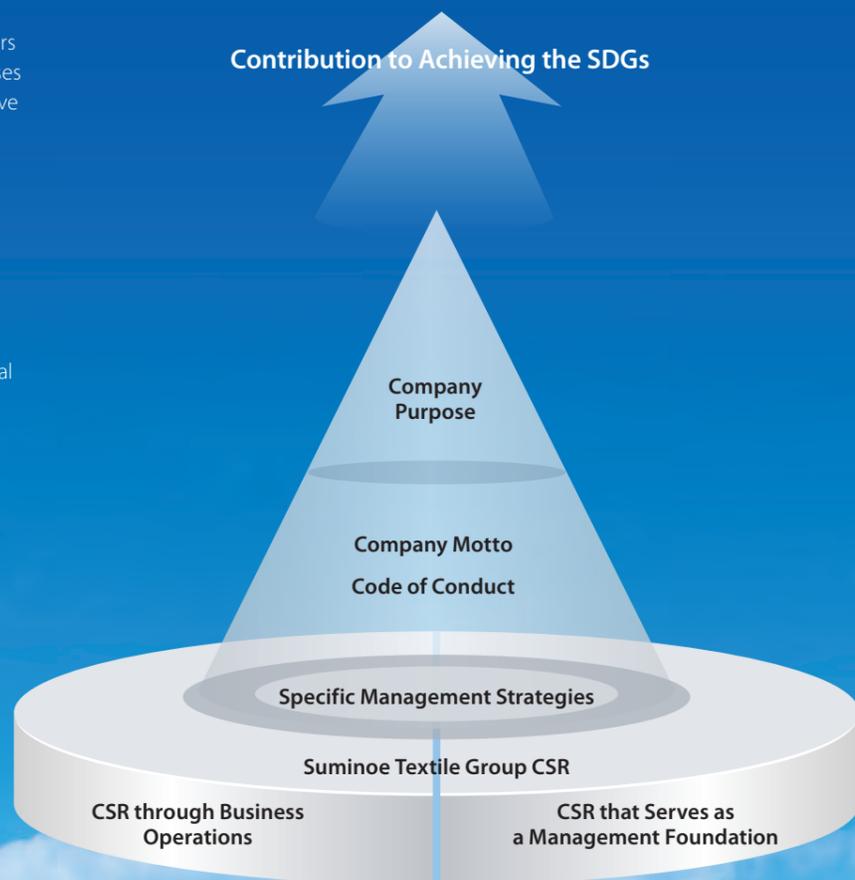


Suminoe Textile Group's Initiatives to Achieve SDGs

Businesses are considered important partners in achieving SDGs, which call on all businesses to apply their creativity and innovation to solve sustainable development challenges.

Under its fundamental development philosophy "KKR+A (Kenko [Health], Kankyo [Environment], Recycle and Amenity)," the Suminoe Textile Group has so far strived for environmental preservation, including improvement in indoor environments and reduction of environmental impact.

We will continue to tackle environmental problems and other various issues while regarding the SDGs as our important challenges to be addressed.



1 Contributing to Energy-Saving by Harnessing Botanical Power



Plant-derived Seat Covering Materials "Bio Woven and Bio Flat"

Bio Woven and Bio Flat are seat covering materials made of plant-derived polyester (30% of which is plants). By using less fossil fuel, which is considered to cause various environmental problems, these materials contribute to reducing the environmental impact. Bio Woven and Bio Flat are superior to other bio-based textile materials in terms of productivity and cost. At the same time, since they have the same performance as seat covering materials made of petroleum-derived polyester, Bio Woven and Bio Flat are capable of reproducing the intended design and texture.

The Bio Woven and Bio Flat materials are adopted by Nissan Motor Co., Ltd. for the G and X Grades of the LEAF.



Saitama New Urban Transit, 2020 and 2000 Series

Hybrid cushion material for train car seating

Section view of SUMICUBE AIR

2 In Consideration of a Comfortable and Safe In-Car Environment



Seat Cushion Materials for Train Cars —SUMICUBE® and Hybrid Cushion Material

SUMICUBE® is made from safe materials that do not generate cyanide or other poisonous gases when combusted. It is therefore an environmentally friendly product that does not pollute the atmosphere during disposal by incineration. We also offer a hybrid cushion material, which is created by combining SUMICUBE® and the new resin spring material SUMICUBE AIR. The hybrid cushion material is safer, more breathable, more durable, and more comfortable to sit on.

SUMICUBE® and the hybrid cushion material are widely used in train cars of JR, private railways and publicly run subways, also finding applications in limited express and Shinkansen bullet train cars, in which greater passenger comfort is required. These cushion materials help ensure that people can use public transportation more comfortably.



East Japan Railway Company, New Commuter Train E235 Series (Yamanote Line)

SUMICUBE® seat cushion material for railway cars



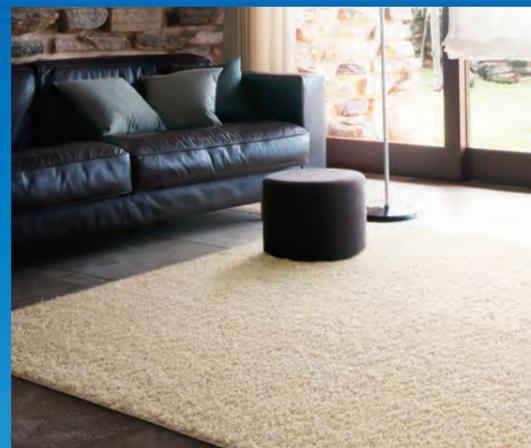
3 Eco-friendly Yarn Made from PET Bottles



スミトロン® (SUMITRON) Continuous Fiber Made from Recycled PET Bottles

スミトロン® (SUMITRON) uses more than 50% chips recycled from used PET bottles, thereby contributing to resource conservation. This recycled fiber is used for interior products, automotive textiles, functional materials, and for many other products in a wide range of fields.

スミトロン® (SUMITRON) is a polyester yarn that is stain-resistant. Since it is solution-dyed, the yarn has excellent light- and heat-resistant properties, enabling long-term use of the products made of スミトロン®. In its dyeing process, we use a coloring method that discharges no dyeing wastewater in order to prevent water pollution.



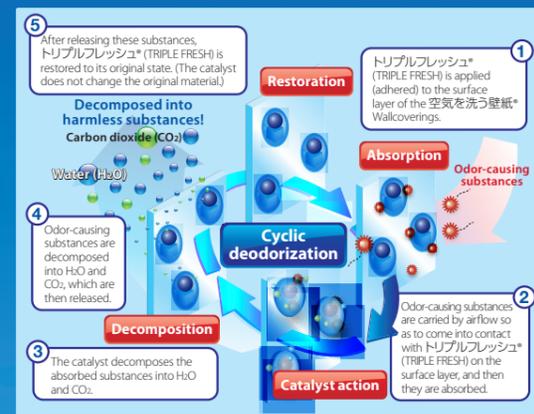
4 High Deodorizing Performance Ensures Clean Indoor Air



空気を洗う壁紙® (Air Cleaning Wallcoverings) Olefin Plus

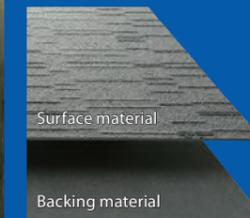
Olefin Plus is a series of new eco-friendly deodorant wallcoverings with a cyclical deoxidation function. Its surface is processed with a recycled material of olefin plastic chips. Olefin Plus is coated with トリプルフレッシュ® (TRIPLE FRESH) Plus deodorizer, which removes 12 types of odor-causing substances. Olefin Plus wallcoverings have high deodorizing performance to remove cigarette and toilet smells, household odors, and body odors associated with aging. By improving the indoor air environment through this property, these wallcoverings are conducive to people's healthy and comfortable lives.

In addition, the series' unique uneven surface reduces glossy reflection from lighting, helping to create interiors with a calm atmosphere.



ECOS Recycle System Double Recycle

ECOS uses スミトロン® (SUMITRON), a recycled polyester yarn made from used PET bottles, in the surface pile material.



Recycled materials are used for both the surface and backing materials.

5 Resources for the Future



ECOS® Recycled Carpet Tiles Produced Using Horizontal Recycling Technology

We have established a system to recycle used carpet tiles, which were conventionally discarded, into new carpet tiles. This system has enabled us to reduce waste and realize resource recycling. The ratio of recycled materials in most recycled carpet tiles available on the market ranges from about 25% to 40%. However, ECOS® has achieved a recycled material ratio of up to 84% (in the case of ECOS® iD-8100), far superior to that of existing carpet tiles. Although there are many recycled materials whose origin is unknown, ECOS® only uses waste carpet tiles as recycled materials for the backing material to secure safety by controlling the origin of materials in a visible manner.

The SG-500 series using スミトロン® (SUMITRON) has reduced CO₂ emissions by 43% as compared to Suminoe's conventional products. The series has also reduced the product weight by around 5% so as to lessen the load during transportation.

6 Functional Products that Are Useful in Your Everyday Life



Tispa Series Deodorizer for Home Use, "Real Odor Deodorization without Disguising with a Scent"

The Tispa series deodorizer for home use, "Real Odor Deodorization without Disguising with a Scent," is a line of deodorizers using トリプルフレッシュ® (TRIPLE FRESH), our proprietary deodorant treatment technology that is employed in many interior products and materials for hotels, automobiles and aircraft. Tispa features zero-energy, long-time cyclic deodorization that uses no light or electricity.



Scan here for details.

Recommendable for Those who Love Drinking! 柿ダノミ® (Kakidanomi) Supplement Containing a Polyphenol Extracted from Persimmons Produced in Nara Prefecture

柿ダノミ® (Kakidanomi) is a supplement containing persimmon (kaki) polyphenol extracted from persimmons grown in Nara Prefecture using a patented processing method. We have developed this supplement through a joint research project with Kindai University. The project was adopted as one of the recipients of the subsidy provided under the FY2016 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 specialties. Our research team carried out a human clinical trial, whose results showed the supplement's safety. We also confirmed that 柿ダノミ® (Kakidanomi) has been highly evaluated as a health food (common food). The supplement is helpful in maintaining people's health.



Scan here for details.

Thailand

Ayutthaya Province
Bangkok



Feature 2 Global Expansion

Introduction of an Overseas Affiliate:
T.C.H. Suminoe Co., Ltd. in Thailand

In the automotive textile business, the Suminoe Textile Group has established 12 manufacturing and sales sites in six overseas countries to supply a total line of automotive textiles to customers around the world. To satisfy customer needs, we deliver our products to customers in a speedy and stable manner by applying manufacturing and management expertise we have cultivated in Japan to overseas operation sites. The respective global sites have also contributed to economic development and job creation in their local communities.

Overseas Expansion of Each Category in the automotive textile business

Fabric Category

In December 2009, Suminoe Textile Co., Ltd. set up its subsidiary, Suminoe Teijin Techno Co., Ltd., jointly with Teijin Fibers Limited. This has enabled the Suminoe Textile Group to establish an integrated system covering from material procurement, knitting and weaving processing to proposal and sales of products. Since then, a similar system has been introduced at overseas operation sites so that we have displayed the Group's strength both in Japan and abroad. In recent years, while solution-dyed yarns have been increasingly used as raw materials, we have lowered environmental impact through a reduction in waste water and waste heat.

Carpet Category

Automotive flooring textiles are largely divided into tufted carpets and needle punch carpets. As for flooring materials, currently the Suminoe Textile Group focuses on needle punch carpets, which are manufactured and sold in six countries in Asia and in North and Central America. Needle punch products are conducive to reduction of environmental impact for the following advantages: simple material constitution, a fewer number of processes, and relatively lightweight. Besides floor carpets, we have applied this needle punching technique to textile products that reduce noise inside and outside cars. Through the development of mass-production of such products, we endeavor to help improve the environment surrounding automobiles.

Mat Category

Suminoe Koide (Thailand) Co., Ltd. was set up as our third manufacturing factory of car mats in Chiang Mai, Thailand, in 2018. Thailand is ranked top in vehicle production volume in the ASEAN region. The business objective of the company is not confined to producing products for Japan. It also aims to further enhance the Suminoe Textile Group's competitiveness to expand its trading area and sales in the local market.



Global Establishment with the Longest History

T.C.H. Suminoe Co., Ltd. (TCHS) was set up as a joint venture in 1994 in Ayutthaya in the central part of Thailand. With the longest history among the global establishments of the Suminoe Textile Group, TCHS has been engaged in production and sales of mainly fabrics and carpets. Its production activities are supported by approximately 190 employees, about 36% of whom are female.

As part of its commitment to quality-oriented manufacturing in response to customer needs, TCHS obtained ISO/TS16949 certification in 2002. With regard to environmental impact reduction, the company also acquired ISO14001 certification in 2006. As a pioneer of the Suminoe Textile Group companies, TCHS is seriously working to reduce its global environmental impact.

Comfortable Working Environment

Thailand is a mostly Buddhist country, whose people are characteristically polite and gentle and take good care of their parents. Being connected with neighboring countries by land, Thailand has deepened exchanges with other countries since olden times, making it a very conformable place for foreign people to live in. In a country that respects human diversity, including LGBT, TCHS takes it for granted to embrace workforce diversity, rather than considering diversity something to be achieved. The company therefore offers an environment where everyone can enjoy working.

Social Contribution and Activating Intra-company Communication

TCHS is eager to contribute to society, such as by donating knitting machines to universities and making monetary donations to a school and a charity to help orphans in Kanchanaburi Province. In recent years, the company has been participating in a charity marathon. In Thailand, running is popular among people, indicating an increasing public interest in fitness. The company also strives to activate intra-company communication, on such occasions as Songkran, a large-scale water festival held to celebrate the start of the traditional Thai New Year during the country's hottest season. Employees pay respect to their seniors and superiors by spraying water on them. This cheerful event is greatly enjoyed by all members of TCHS, regardless of whether they are supervisors or subordinates. In addition to the Songkran festival, TCHS holds an annual company trip, a New Year party and other various events, through which employees are encouraged to deepen mutual communication.

The entire factory of TCHS was submerged during the great flood that hit Thailand in 2011. Nevertheless, thanks to the backup production and supply system from Japan and other overseas factories, TCHS was able to supply products without a hitch until the restoration of the factory, thereby gaining strong trust from customers.

In 2019, the company marked its 25th anniversary. TCHS will continue to commit itself to stable business operations and contribution to the local community in the future.



Social contribution activity: Charity marathon in June 2018, with 17 people participating from TCHS (TCHS employees and their family members at the Bang Pa-In Industrial Estate)



Thai traditional "Songkran" festival (a water festival in which younger people spray a small amount of water on their seniors to pay respect to them), held in the front yard of the factory on April 12, 2019.



Reclining Buddha Image at Wat Yai Chai Mongkhon, a world heritage site in Ayutthaya Province, against the crisp sky during the dry season

Yukihiro Yamamoto | Joined the Company in 1992

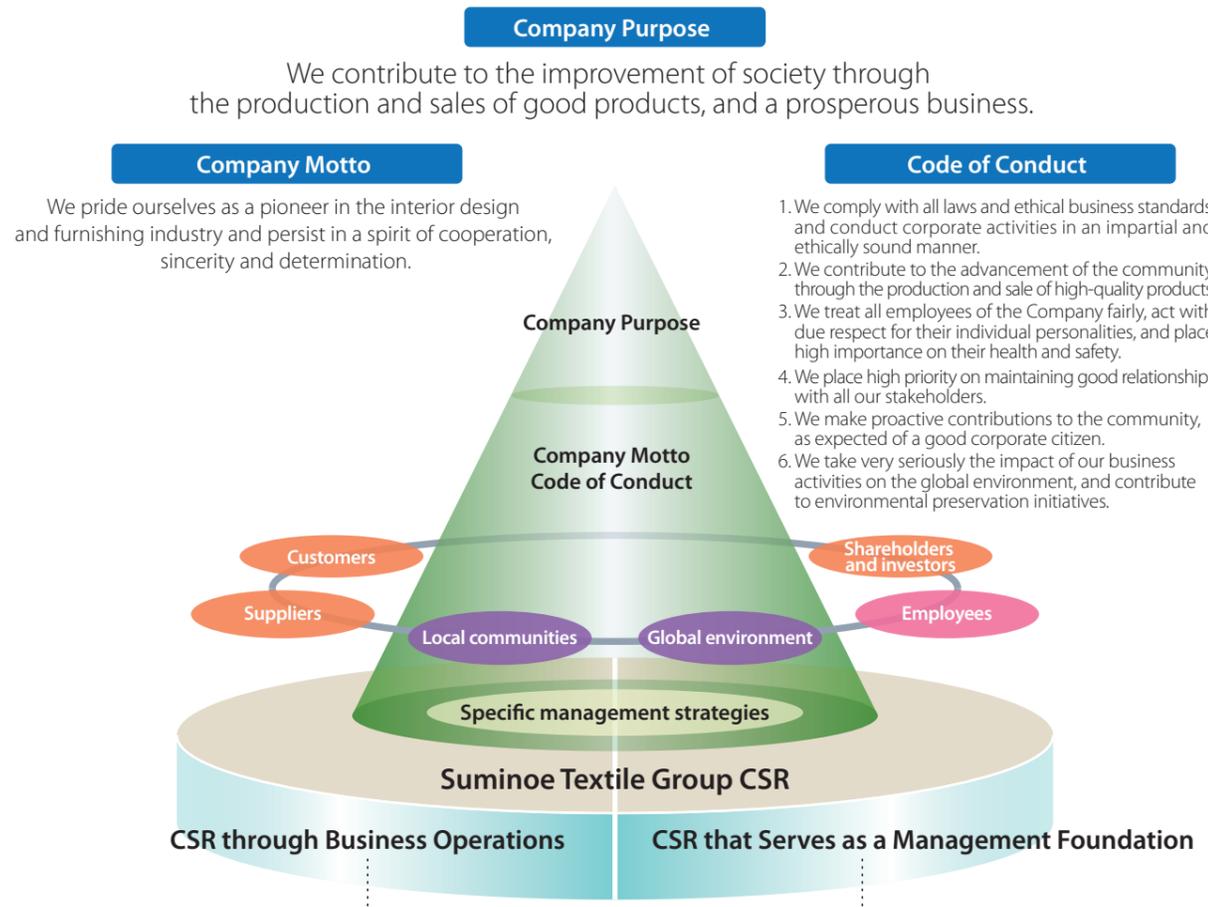


In April 2017, I took up my new post here at TCHS. I am in charge of the development of carpets and other products to be delivered to automobile manufacturers inside and outside Thailand. In terms of technology, an increasing number of vehicle models have been developed for the global market in recent years, requiring us to develop automotive textiles with the same performance level as products made in Japan. On the cost front, we are also engaged in price competition with local capital manufacturers. Accordingly, TCHS needs to display comprehensive technological strength.

Since it is the first time for me to work at an overseas affiliate, I am faced with not only a language barrier but also unexpected cultural barriers, including the Thai way of thinking. I sometimes become slightly emotional when I have trouble communicating with local employees. In such a case, however, the next day I make it a rule to greet them in Thai with a smile, as part of my efforts to create a favorable atmosphere in the workplace. Through experience in working overseas, I have now developed a broader perspective of my work by considering how I can improve the performance of the local employees. I really feel myself growing little by little.

Initiatives for CSR

Corporate Philosophy and CSR System of the Suminoe Textile Group



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

1. We comply with all laws and ethical business standards, and conduct corporate activities in an impartial and ethically sound manner.
2. We contribute to the advancement of the community through the production and sale of high-quality products.
3. 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.
4. We place high priority on maintaining good relationships with all our stakeholders.
5. We make proactive contributions to the community, as expected of a good corporate citizen.
6. We take very seriously the impact of our business activities on the global environment, and contribute to environmental preservation initiatives.

- 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.

- Establishing a fair and highly transparent governance system.
- Ensuring thorough compliance* to conduct corporate activities with a high sense of ethics.
- Supporting employees to develop themselves through worthwhile work, while giving consideration to the creation of an employee-friendly environment and the diversity of employees.

* 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.

Communication with Stakeholders

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	Suppliers	Shareholders and investors	Local communities	Employees	Global environment
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.	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.	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.	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.	We -elop 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.	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).

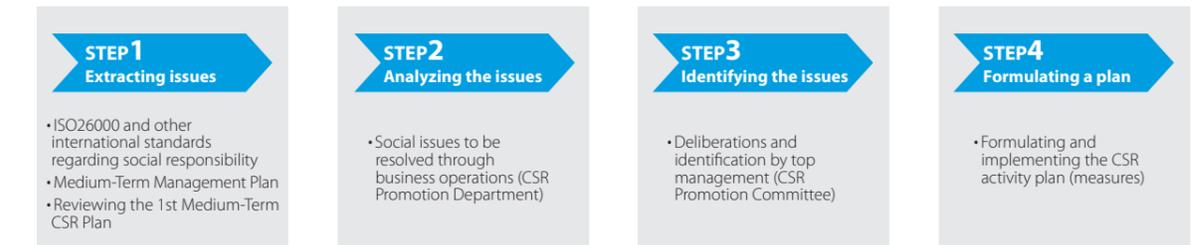
CSR Activity Policy

To further enhance its corporate value and win a broader range of social trust, the Suminoe Textile Group aims to simultaneously advance both "CSR through Business Operations" and "CSR that Serves as a Management Foundation."

Medium-Term CSR Plan

We formulated the Medium-Term Management Plan "2020," 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, aiming to achieve further growth toward 2020. Under the new CSR plan, in which our key CSR issues are identified, we are promoting initiatives.

■ Process of identifying the key CSR issues



2nd Medium-Term CSR Plan and Priority issues (Planned period: June 2018 – May 2020)

ESG item	Top priority issues	Measures (initiatives)	Stakeholders concerned
G	1 Corporate Governance	• Promote fair corporate activities	All stakeholders
G	2 Compliance	• Raise compliance awareness of executives and employees and improve their compliance training	All stakeholders
G	3 Fair operating practices	• Improve work-related legal education and internal audits • Promote procurement based on the Green Procurement Guidelines	Suppliers
S	4 Human resource development and revitalization	• Implement training programs and develop globally competent human resources • Respect diversity (promote women's empowerment, employment of persons with disabilities, re-employment of retired employees, and employment of foreign nationals) • Promote reform of working practices (improve the systems for supporting employees in caring for children, the elderly and other family members and promote a work-life balance)	Employees
S	5 Health and safety	• Prevent occupational accidents (provide safety education and implement risk assessment) • Create a comfortable working environment (promote employees' health) • Correct the issue of long working hours	Employees
ESG item	Priority issues	Measures (initiatives)	Stakeholders concerned
S	6 Quality improvement	• Regularly hold Quality Assurance Joint Meetings	Customers
S	7 Stakeholder communication	• Promote proactive IR activities • Improve corporate image	Shareholders and investors
S	8 Appropriate response to customers and sharing customer service experiences company-wide	• Work on daily business activities and ensure our Customer Service Center's appropriate response to customers	Customers
G	9 Promote a business continuity plan (BCP) to be implemented in the event of an emergency or disaster	• Regularly review the BCP	All stakeholders
G	10 Risk management	• Raise awareness of risk management at overseas subsidiaries	All stakeholders
E	11 Environmental impact reduction	• Promote Eco Challenge 2020 and the development of environmentally friendly products	Local communities and the global environment
S	12 Implement social contribution activities	• Promote regional preservation and revitalization, environmental conservation, and biodiversity preservation	Local communities and the global environment

After identifying the issues that the Suminoe Textile Group should address, we have classified them into "top priority issues" and "priority issues." Then we have formulated the measures (initiatives) to grapple with these issues.

In the above process, we have also clarified the relationship between these issues and ESG items.

* ESG stands for Environmental, Social and Governance.

ESG refer to the three factors that companies should take into account toward the realization of a sustainable society.

Initiatives for CSR

Fiscal 2018 Results of CSR Activities

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 2018 are shown in the table below.

A: Accomplished B: Almost accomplished C: Not accomplished

CSR category	Related page	Priority item	Major theme	FY2018 targets	FY2018 results	Self-assessment
Governance and compliance	P.19-20 and P.21-22	Corporate governance	Hold discussions at meetings of the Board of Directors, the Board of Corporate Auditors and other committees, to promote fair corporate activities.	<ul style="list-style-type: none"> Hold meetings of the Board of Directors and the Board of Corporate Auditors Review activity plans at CSR Promotion Committee meetings. 	<ul style="list-style-type: none"> Held meetings of the Board of Directors 9 times and meetings of the Board of Corporate Auditors ten times. Held meetings of the CSR Promotion Committee meetings five times to review activity plans. 	A
			Evaluate the effectiveness of internal control over financial reporting of Group companies that fall within the scope of assessment.	<ul style="list-style-type: none"> Reduce the number of material weaknesses requiring disclosure in the internal control evaluation to zero. 	<ul style="list-style-type: none"> Implemented activities with the Financial Control Committee playing a central role. [Result: Number of material weaknesses requiring disclosure: 0] 	A
		Compliance	Promote the Code of Conduct and the Code of Corporate Behavior of the Suminoe Textile Group.	<ul style="list-style-type: none"> Provide compliance education at training by level. Distribute the Compliance Guidance to new employees and hold seminars to provide them with basic compliance knowledge. Hold compliance workshops. Timely publish compliance information through the in-house intranet. [Rate of plans implemented: 100%] 	<ul style="list-style-type: none"> Provided compliance education at training by level and training for new employees. [Rate of plans implemented: 100%] Provided compliance education (as part of the training for officers and compliance workshops). Read the Code of Conduct aloud in union at the morning assembly and weekly meetings. 	A
			Continue compliance related monitoring.	<ul style="list-style-type: none"> Conduct compliance audits in rotation. [Rate of plans implemented: 100%] 	<ul style="list-style-type: none"> Conduct compliance audits in rotation. [Rate of plans implemented: 100%] Planned to conduct audits primarily for overseas subsidiaries. 	A
Operating practices	P.21	Fair transactions	Visualize the status of contracts and implement legal education and monitoring concerning business transactions.	<ul style="list-style-type: none"> Implement education regarding the Subcontract Act and the Antimonopoly Law. Conduct internal audits. [Rate of plans implemented: 100%] 	<ul style="list-style-type: none"> Hold study meetings, briefing sessions and awareness-raising activities regarding the Subcontract Act and the Antimonopoly Law. Conducted internal audits. [Rate of plans implemented: 100%] 	A
	—	Green Procurement	Promote the Green Procurement Guidelines.	<ul style="list-style-type: none"> Distribute the guidelines to suppliers and collect Green Procurement records. [Target: Once a year] 	<ul style="list-style-type: none"> Distributed the guidelines to suppliers and collected Green Procurement records. [Result: Once a year] 	A
Human Rights, employment, treatment of employees, and human resource development	P.25-28	Respect for diversity	Implement activities to create a comfortable working environment that respects the diversity of employees.	<ul style="list-style-type: none"> Increase the percentage of employees with disabilities. 	<ul style="list-style-type: none"> Did not achieve the legally required percentage of employees with disabilities. 	C
				<ul style="list-style-type: none"> Have Senior Employees create job manuals in their specialized field. Hold study meetings in which Senior Employees serve as instructors. 	<ul style="list-style-type: none"> Measures were not implemented to have Senior Employees create job manuals in their specialized field and to hold study meetings in which Senior Employees serve as instructors. Continued to preserve knowledge and skills of Senior Employees and hand them down to future generations. Publicized the active roles played by Senior Employees through the CSR report. 	B
				<ul style="list-style-type: none"> Improve the systems for supporting employees in caring for children, the elderly and other family members. Promote a work-life balance (by promoting no-overtime days and increasing the use of paid leave). 	<ul style="list-style-type: none"> Revised the manual for supporting a balance between work and childcare and created a manual for supporting a balance between work and care of the elderly and other family members Promoted a work-life balance (by promoting no-overtime days and increasing the use of paid leave) 	B
				<ul style="list-style-type: none"> Provide training sessions by level and by theme and improve the content of these sessions. Implement training sessions by carefully selecting themes suited for employees (referencing the trainee questionnaire survey results). 	<ul style="list-style-type: none"> Training by level: Discussed the content as in previous years. Training by theme: Implemented training by selecting "Improving Communication Skills" and "Improving Preparation Skills" as the themes. 	A
	Human resource development	Develop global human resources.	<ul style="list-style-type: none"> Provide prior training for employees who will leave for overseas duty. Continue to provide foreign language training programs. Hold meeting to exchange information with employees who have experienced working overseas. Hold on-site training for young employees. Hold risk management seminars. 	<ul style="list-style-type: none"> Administered TOEIC tests for new employees. Provided foreign language training programs (school attendance course, correspondence course, online course, and prior training for employees who will leave for overseas duty). 	B	
			Women's empowerment.	<ul style="list-style-type: none"> Publish Top Message in the notes and in-house magazines. Actively recruit female employees. Hold training programs for male managers and female employees to encourage them to change their mindsets Implement round-table discussions between female employees and their role models (female managers). Establish a re-employment system (to let retired employees come back to work). 	<ul style="list-style-type: none"> Dispatched female employees to the Women's Empowerment Support Forum. Publicized the active roles played by female employees through the CSR report and at training by level. Implemented Career Design Training and Training on Coaching Female Subordinates. Established the re-employment system "Job Return System." 	A
			Revitalization of human resources.	<ul style="list-style-type: none"> Hold the Mirai-juku program (a series of seminars on further growth). Implement "management by walking around" Hold interviews with employees to foster next-generation leaders. Hold lunchtime meetings. 	<ul style="list-style-type: none"> Held the third Mirai-juku program (a series of seminars on further growth). Management Meetings were held five times a year at operation sites other than the Suminoe Textile Head Office as part of "management by walking around." Held lunchtime meetings and interviews with employees to promote communication with them. 	A
			<ul style="list-style-type: none"> Have the Central Health and Safety Subcommittee consolidate opinions and promote information sharing. Share information related to occupational accidents. Target for the rate of lost-worktime injuries: 1.0 or lower Provide safety education. Implement risk assessments. Conduct mutual patrols between different factories/offices 	<ul style="list-style-type: none"> The Central Health and Safety Subcommittee consolidated opinions and promoted information sharing. Shared information related to occupational accidents. The rate of lost-worktime injuries stood at 1.33, falling short of the target. Regularly provided safety education. Implemented risk assessments (at the Shiga Factory, in addition to the Nara Factory). Conducted mutual patrols between the offices/factories where Health and Safety Committee meetings were held. 	B	
Safety, disaster prevention, and health	P.26	Occupational health and safety	Promote activity plans to protect the safety of employees.	<ul style="list-style-type: none"> Carry out disaster drills. [Rate of plans implemented: 100%] 	<ul style="list-style-type: none"> Carried out disaster drills. [Rate of plans 	A

CSR category	Related page	Priority item	Major theme	FY2018 targets	FY2018 results	Self-assessment
Safety, disaster prevention, and health	P.26	Occupational health and safety	Promote activity plans to protect the safety of employees.	<ul style="list-style-type: none"> Continue to provide anti-harassment training. Further notify the contact points for harassment consultation. Increase the number of harassment counselors (including those working at affiliated companies). 	<ul style="list-style-type: none"> Provided anti-harassment training at small offices/factories. Further notified the contact points for harassment consultation. Measures were not implemented to increase the number of harassment counselors. 	B
				<ul style="list-style-type: none"> Manage and grasp employees' overtime work hours. Hold interviews with employees who work long hours. Implement measures for operational improvement. Make the rounds of workplaces on no-overtime days. 	<ul style="list-style-type: none"> Periodically checked employees' overtime work hours, confirmed whether there were differences between actual working hours and the records on the time recorders, and provided guidance where necessary. Held interviews with employees who work long hours. Made announcement on the public address system to prompt employees working overtime to return home early. 	B
				<ul style="list-style-type: none"> Discuss activities to raise employees' awareness of their health improvement. 	<ul style="list-style-type: none"> Did not hold discussions on awareness-raising activities for employees' health improvement. 	C
				<ul style="list-style-type: none"> Conduct a safety confirmation drill at other offices/factories. Conduct a BCP drill including procedures for communicating relevant information to customers at the Head Office. Hold discussions on a new method of confirming personal safety information. 	<ul style="list-style-type: none"> Conducted a safety confirmation drill at the head office of SUMINOE Co., Ltd. Did not implement a BCP drill including procedures for communicating relevant information to customers at the Head Office. Discussions are under way on a new method of confirming personal safety information. 	B
Risk management	P.23	BCP	Promote a business continuity plan (BCP) to be implemented in the event of emergency or disaster.	<ul style="list-style-type: none"> Implement awareness-raising activities regarding intellectual property rights (through the in-house intranet and training sessions). [Rate of plans implemented: 100%] 	<ul style="list-style-type: none"> Implemented awareness-raising activities regarding intellectual property rights (through the in-house intranet and training sessions). [Rate of plans implemented: 100%] 	A
				<ul style="list-style-type: none"> Provide information security education (security of information terminals and personal information protection). 	<ul style="list-style-type: none"> Provide information security education at training by level. 	A
	—	Information security	Carry out awareness-raising activities to prevent insider trading.	<ul style="list-style-type: none"> Implement awareness-raising activities regarding insider trading. 	<ul style="list-style-type: none"> Implemented awareness-raising activities regarding insider trading through the in-house intranet. 	A
				<ul style="list-style-type: none"> Regularly hold Quality Assurance Joint Meetings Implement quality improvement activities (activities to reduce the percentage of defective products and losses due to defective quality). Continue to implement activities to share the initiatives regarding chemical substances regulations. 	<ul style="list-style-type: none"> Regularly held Quality Assurance Joint Meetings, four times a year. Implemented activities to share the initiatives regarding quality improvement (activities to reduce the percentage of defective products and losses due to defective quality) and chemical substances regulations. 	A
Social contribution management activities	P.30	Quality improvement	Promote quality improvement efforts.	<ul style="list-style-type: none"> Report the content of inquiries/complaints received by the Customer Service Center to the CSR Promotion Committee. Analyze the contents of complaints and results of the responses to these complaints. Develop products incorporating customer opinions. 	<ul style="list-style-type: none"> In FY 2018, the Customer Service Center received 2,158 inquiries/complaints. Among them, inquiries about products, standards, prices and functionality accounted for 32% (691 cases), and complaints accounted for 3% (73 cases). Regarding complaints, after classifying their contents and analyzing their causes, we will utilize the results for the next time we develop products. 	B
				<ul style="list-style-type: none"> Disclose IR information related to our corporate activities in a timely manner. Disclose 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. 	<ul style="list-style-type: none"> Disclosed IR information related to our corporate activities in a timely manner. 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. 	A
	—	External communications	Promote communication with stakeholders (publicize the strength of the Company).	<ul style="list-style-type: none"> Engage in external communications. Enhance CSR and corporate branding initiatives. 	<ul style="list-style-type: none"> Set up Suminoe Textile booths at various exhibitions, including JAPANTEX 2018 and the 85th Tokyo International Gift Show. Each Group company redesigned its website, aiming to improve its corporate brand image. Increased the number of dialogs with institutional 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. 	A
				<ul style="list-style-type: none"> Contribute to the local communities. Carry out social contribution activities relating to environmental protection. 	<ul style="list-style-type: none"> Continued local contribution activities and environmental protection activities. Willingly engaged with the local communities, and participated in activities for regional preservation and revitalization. 	B
Environment	P.35-41	Reduction of environmental impact from business activities	Prevention of global warming.	<ul style="list-style-type: none"> Reduce energy consumption and fuel consumption by company-owned vehicles each by 1% as part of our efforts to prevent global warming. Improve the rate of use of recycled materials by 1%. Reduce the amount of industrial waste generated by 1% (as compared with fiscal 2017, in terms of basic unit). 	<ul style="list-style-type: none"> Achieved the reduction targets both for energy consumption and fuel consumption by company-owned vehicles. Also achieved the improvement target for the rate of use of recycled materials. Did not achieve the reduction target only for the amount of industrial waste generated (as compared with fiscal 2017, in terms of basic unit). 	B

Enhancing Governance

Establishing a Trustworthy Corporate Foundation—Fair and Sound Management

Corporate governance*

Governance System

To secure the soundness and efficiency of management, we have been appointing outside directors and strengthening the function of the corporate auditor system. The Board of Directors functions as a body for making management decisions in a speedy and agile manner and for overseeing the status of business execution. The Company has also introduced an operating officer system, under which operating officers are held responsible for business execution. In this manner, we ensure the effectiveness of governance.

* Corporate governance: The mechanisms by which company management is controlled and supervised, in order to enhance its management transparency and corporate value

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 policies 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 works 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.

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.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is set up as an advisory body to the Board of Directors. The Committee aims to strengthen its oversight function by improving transparency and objectivity in the evaluation and determination processes concerning the nomination and remuneration of the members of the Board of Directors, thereby further enhancing the corporate governance system.

The Committee membership comprises five directors selected by a resolution of Representative Directors, independent outside directors and the Board of Directors.

The majority of the membership should be outside executives, including independent outside directors.

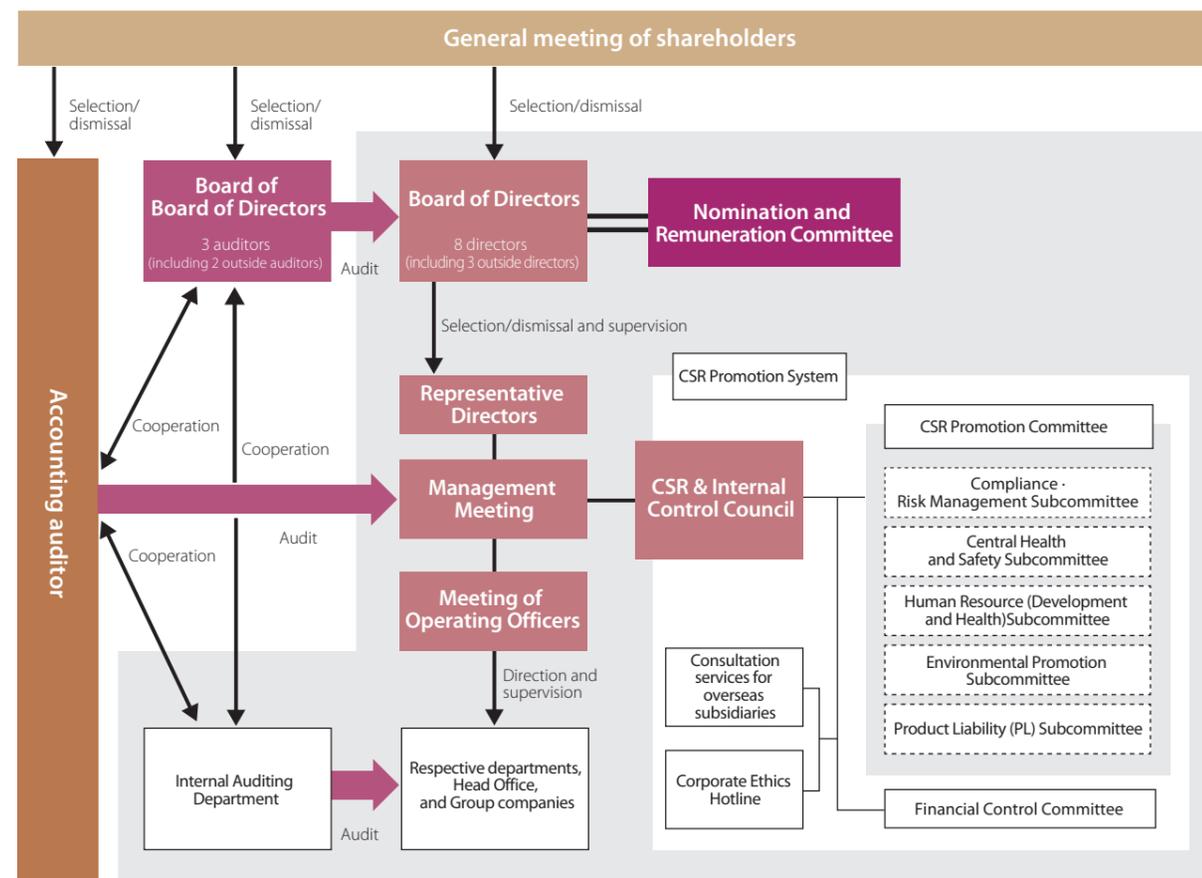
Management Meeting/CSR & Internal Control Council

A 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 a 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.

Corporate Governance and CSR Promotion System



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

Enhancing Governance

Establishing a Trustworthy Corporate Foundation—Fair and Sound Management

Ensuring Compliance

Basic Policy

Corporate Activities in Compliance with Laws and Corporate Ethics

We have formulated the Suminoe Textile Group Code of Conduct and the Suminoe Textile Group Code of Corporate Behavior, both of which lay out the basic policy for implementing compliance management.

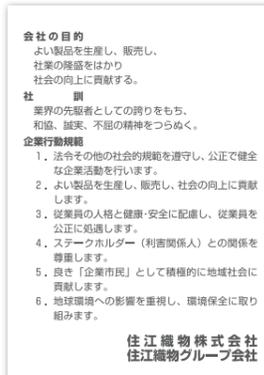
In keeping with the basic policy, officers and employees of the Suminoe Textile Group strive to ensure that their own ways of thinking and behavior are always in compliance with laws and corporate ethics.

Compliance Measures

Creating a Corporate Culture to Develop Compliance Awareness in Daily Operations

The Suminoe Textile Group communicates relevant information to develop compliance awareness among officers and employees through various media contents. For example, 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.



Poster on which the Code of Conduct is printed



Compliance Guidance (Japanese, English and Chinese versions)

Compliance Education

Repeatedly Conducting Awareness-Raising Activities for Enhancing Corporate Governance and Ensuring Compliance

As a fundamental principle of corporate activities, we need to comply with laws and regulations that are applicable to various situations, with a strong sense of ethics.

The Suminoe Textile Group has repeatedly provided compliance education on a regular basis. In accordance with the compliance training plans designed for each operation site, in fiscal 2019 we held a workshop at the Shiga Factory of Suminoe Techno Co., Ltd., with 48 trainees from the production departments in our Group companies. These trainees shared their compliance awareness regarding what are the risks underlying their work and what are misconduct risks, from the viewpoints of compliance in the production departments.



Fair Trade (Compliance with the Subcontract Act)

Implementing Periodic Seminars on 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 it 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 appropriate and smooth management of subcontracting transactions.

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. In fiscal 2019, these seminars were held at Suminoe Textile Co., Ltd., SUMINOE Co., Ltd., Suminoe Teijin Techno Co., Ltd. and Owari Seisen Co., Ltd., with a total of 123 participants. In the seminar materials, we included some frequently asked questions and answers, as well as examples of actual transaction documents. After the seminars, the lecturers responded to questions from trainees and held individual consultations.

Whistleblowing System

Announcing Whistleblowing Contact Points and Encouraging Their Use

We have established the Corporate Ethics Hotline as a whistle-blowing system covering the entire Group. We encourage employees to use the Hotline to submit a report should they find incidences of violation of laws and regulations or corporate ethics. The Corporate Ethics Hotline Management Office serves as the in-house contact point for whistleblowing. For consultation outside the Company, employees may use an outside attorney’s office, an external contact point exclusively for consultation on harassment, and outside health consultation services. All Group employees are notified of and encouraged to use these contact points on occasions of in-house training and compliance workshops to ensure that they can seek consultation easily and with peace of mind.

■ Consultation services used (number of consultations received)

Consultation contents / FY	2017	2018
Corporate Ethics Hotline	3	2
Outside attorney	0	0
Health consultation service (consultation on harassment)	6	0
Harassment consultation contact point	1	8

Management by walking around

Discussions on Each Worksite’s Problems Based on Interactive Communication between Employees and Management Executives

The Suminoe Textile Group implements “management by walking around,” through which management executives share information and interactively communicate with employees. Executives (directors and operating officers) of Suminoe Textile Co., Ltd. visit Group companies and their offices and factories to exchange opinions with worksite employees.

On March 25, 2019, these executives visited the Ishikawa Factory of Owari Seisen Co., Ltd. After a factory tour, they visited the Hokuriku Office of Suminoe Teijin Techno Co., Ltd. and held a meeting with executives of Owari Seisen, which was followed by a convivial meeting in which local employees also participated.



Questionnaire Survey on Workplace Comfort (In-house Employees’ Opinion Survey) 2019

Realizing a Comfortable Working Environment and Checking on the Progress of CSR Activities

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

In the 2019 survey, those who agreed to “I feel strongly that I want to work at my present company for a long time” increased by 0.05 points from the 2018 survey. In response to this result, to further improve employee satisfaction, various measures were implemented mainly to revitalize human resources. We will continue to carry out these measures in the future.

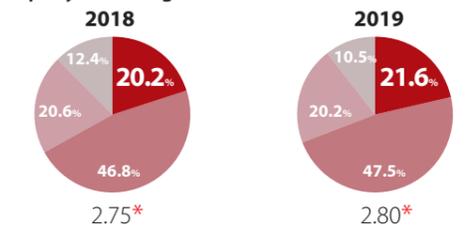
The questionnaire results are reported to the Management Meeting, the Meeting of Operating Officers, and the responsible personnel in each department. These results are also made available on the in-house intranet so that the information can be shared among all employees.

Major Responses to the Survey [Results of General/Contract Employees]

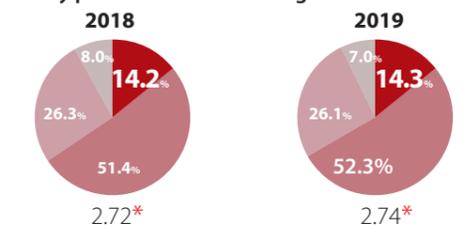
All Group employees both in Japan and overseas were targeted. Questions were asked in eight categories, including “work,” “workplace,” and “corporate culture,” and each question was answered in two ways: four-grade multiple choice and free comments. Note that responses from overseas employees are not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

■ Agree. 4 points ■ Somewhat agree. 3 points
■ Somewhat disagree. 2 points ■ Disagree. 1 point

I feel strongly that I want to work at my present company for a long time



I find my present work rewarding



* Index based on a scale of 4

Enhancing Governance

Establishing a Trustworthy Corporate Foundation—Fair and Sound Management

Risk Management

Risk Management

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 members 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 to mitigate each risk even further.

Risk Management at Overseas Subsidiaries

China SPM Automotive Textile Co., Ltd. (SPM)

In its sixth year of RM activities, SPM is focusing on “Cost reductions” this fiscal year to achieve improvement. The theme was selected due to the reduction of automobile sales volume caused by a reactionary fall after the last-minute demand before the end of the tax break for automobile purchases and to the deterioration in consumer confidence caused by the U.S.-China trade war. Although it is expected that the impact caused by these factors will not be so strong, the need for activities to maintain profit is increasing. To achieve results steadily, the RM committee sets goals for the items of improvement submitted by each department, examines monthly results, and considers adding items if the goals are not achieved. In this way, SPM is working to ensure good performances and achieve goals.

Indonesia PT. Suminoe Surya Techno (SST)

Last year, SST introduced a stocktaking system using barcodes and handy terminals to prevent inventory variance and showed successful results. This fiscal year, to achieve further risk reduction, SST introduced a production management system targeted at streamlining field work and management, which will serve as a model case for overseas production factories. After achieving full-fledged operation and results at an early stage, the system will be introduced at Suminoe Koide (Thailand) Co., Ltd. (SKT) and Suzhou Suminoe Koide Automotive Accessories Co., Ltd. (SSK), both of which adopt the same production style, thus contributing to the Group-wide project: reengineering of the core system.

We will continue effective and efficient risk management focused on high-risk areas at overseas subsidiaries.

Intellectual Property Management Efforts

To Achieve the Trinity Strategy

Intellectual property rights include patents, utility model rights, design rights and trademarks. To protect rights of our products, we are working to raise awareness and promote understanding of intellectual property rights among employees.

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 the cost required to file patent applications at the Japan Patent Office based on international applications under the Patent Cooperation Treaty, as well as the trinity strategy and intellectual property rights in corporate business activities. In addition, at regular technical meetings held in Nara and Osaka, we introduce related patent information and topics on intellectual property rights.

In business fields with harsh market competition, close coordination of strategies related to business, planning/development, and intellectual property is becoming more important. We will continue our efforts to achieve the “trinity” strategy.

Trinity Strategy



Progress in Preparation of Business Continuity Plans (BCPs)*

Implementation of Personal Safety Confirmation Drills

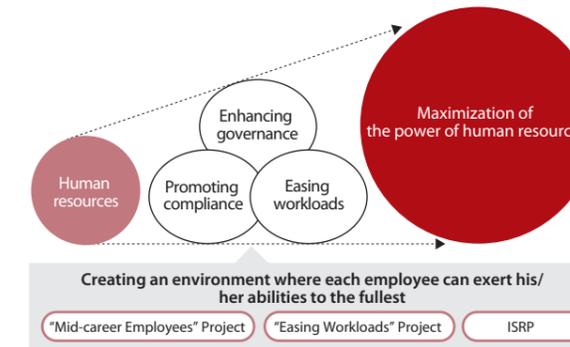
In the event of a disaster, disseminating information to customers speedily and accurately is key for us to maintain customer trust as a company. Based on this idea, our Group has been working to establish its business continuity plans (BCPs), focusing on collecting such information as employees’ personal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

On September 5, 2019, a personal safety confirmation drill was held on the occasion of the Osaka 8.8 Million Drill, and the emergency headquarters were able to swiftly confirm the safety of all employees. The drill was also held at the head office of SUMINOE Co., Ltd. for the first time.

* BCP: Stands for “Business Continuity Plan,” a plan developed to ensure that a company can continue and/or restore business operations in an emergency, such as a disaster or an accident.

Three Projects

Maximization of the Power of Human Resources



1. “Mid-career Employees” Project

Activate Interaction between Human Resources across Departments and Improve Their Problem-solving Skills

Activities in FY2018

It was the third year for the project that was launched to develop next-generation human resources and to promote corporate culture reforms as a medium- to long-term initiative.

In recent years, “work style reform” has been the focus of attention. In this fiscal year, to advance labor/personnel savings, shorter working hours, and business sophistication, we studied and formulated specific solutions based on the “inventory counting of operations” and “easing workloads” activities conducted last fiscal year, and we implemented feasible solutions.

Awareness Gained

There were cases where workloads increased due to repetition of past operations and insufficient systems, which led to a shortage of time to improve operations. In other cases, excessive time was taken for some operations since convenient functions of certain systems had not been shared among employees. In this fiscal year, we specified these problems and made efforts for improvement, and by that, we achieved some positive results.

Future Plan

The “mid-career employees” team considers it also necessary to compile small improvements. As such, we will start activities to support employees to be involved in the improvement of operations in other departments and promote personnel exchange. In addition, in cooperation with the “easing workloads” project, we will focus on providing suggestions and proposals to the newly established ISRP (Information System Reengineering Project) in advancing our activities.

2. “Easing Workloads” Project

Easing Workloads Is Essential in Raising Awareness of Compliance

Based on the results of the fact-finding survey on workloads conducted last fiscal year to ease workloads, the project team studied “measures to ease workloads regarding operations other than IT-related ones” in each section, focusing on the measures that all departments in our Group can work on.

- ① Training to improve Excel skills (Improving PC operation skills for work efficiency)
- ② Utilization of video conferencing (Considering introduction of video conference systems at feasible operation sites)
- ③ Future challenges (e.g. utilization of shared files, effective utilization of in-house intranet, measures to prevent overtime work [locking PCs, etc.], promotion of paperless operations)

3. ISRP (Information System Reengineering Project)

Accelerate Reengineering of the Core System as a Group-wide Effort

We are working on the reengineering of the core system as a Group-wide effort. It had been conducted as a bottom-up project, but in November 2018, it was changed to a top-down, Group-wide project. The change was made to enhance employees’ awareness that the project is a mission to be undertaken and achieved across the Group and to accelerate the project implementation under closer cooperation involving the entire Group.

ISRP Basic Policy

- ① To compile information required for management promptly and accelerate decision-making
- ② To submit monthly consolidated financial reports early
- ③ To establish a global information management system
- ④ To compare costs (production and procurement at optimal locations) and “achieve competitive costs (strengthening benchmarks)”
- ⑤ To realize the best quality (enhancing traceability and BCPs)
- ⑥ To reduce the use of paper and introduce automatic entry (paperless)
- ⑦ To visualize the costs (sharing cost data across the Group)
- ⑧ To study an operation model to be shared by all operation sites and establish a global standard model
- ⑨ To adjust operations to the standard model without customizing the model for each operation site
- ⑩ To automate the sales order management system

Initiatives for Society

Growth and Success of Employees—Creating a Working Environment Where Each and Every Employee Can Demonstrate His/Her Best Performance

Respect for Human Rights

The Suminoe Textile Group will ensure a sound working environment where no employees are harassed or discriminated against because of their race, beliefs, religion, nationality, physical features, etc.

Respect for Diversity

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 his/her best performance and grow further. We place emphasis on initiatives to create a working environment that ensures that diverse human resources can work happily and actively, regardless of gender, age, and nationality.

■ Personnel data (Group companies in Japan)

As of the end of May each fiscal year

Item/sex/fiscal year		2018	2019
Number of employees	Male	1,063	1,070
	Female	463	483
Average age	Male	45.9	45.9
	Female	41.2	41.4
Average years of service	Male	15.4	15.5
	Female	12.2	12.2
Number of new graduates hired	Male	21	21
	Female	20	10

Supporting a Balance between Career and Family Life

Suminoe Textile Co., Ltd. revised its internal regulations so that three days of childcare leave are counted as paid leave to make it easier for male employees to take childcare leave. The Company also strives to support employees in striking a balance between career and family life by such means as establishing a Job Return system for re-employ former employees who left the Company due to care for children, the elderly or other family members and enabling employees to take nursing care leave by the hour.

■ Number of employees who used childcare/family care supporting systems

Item/sex/fiscal year		2017	2018
Childcare leave, etc.	Male	0	0
	Female	9	8
Number of employees who took childcare leave	Male	0	0
	Female	8	9
Number of employees who returned to work after childcare leave	Male	0	0
	Female	10	13
Number of employees who reduced working hours	Male	0	0
	Female	1	4
Number of employees who took family care leave	Male	0	0
	Female	0	1
Number of employees who returned to work after family care leave	Male	0	0
	Female	0	0
Number of employees who advanced/postponed work start/finish times	Male	0	0
	Female	0	0

Human Resource Development

We have formulated an education curriculum for the entire Group. The curriculum comprises various programs, which are categorized into training by level, role training, and selective training. In fiscal 2018, we launched a new online course for English conversation as part of language training for employees.

At Suminoe Textile Co., Ltd. those who are in their third year or less of employment are regarded as young employees. They are required to receive collective training for one month after joining the Company and then take on-the-job (OJT) training between May to September. Their department director and the person in charge of their OJT draw up a three-year training plan for new employees and coach them according to the plan. During the first three years after employment, young employees of Group companies in Japan are required to take annual training sessions. After receiving training for new recruits, they undergo collective training designed for second- and third-year employees. The Suminoe Textile Group companies in Japan jointly implement training programs, which also serve as opportunities for deepening mutual exchange among employees participating from their respective Group companies.

■ Number of employees taking training (FY2018)

Training system / Number of trainees	Total	Male	Female
Training by level, role training, and selective training (for skill improvement)	186	139	47
Selective training (for self-development)	Correspondence course	99	51
	Language training	18	13

(FY2018)

Training system / Number of trainees	Total	Male	Female
Normative/selective training	Career design for female employees	14	0
	Training on coaching female subordinates	18	16
	Harassment prevention	31	13
	Subcontract Act seminar	123	76
	Middle management training*	13	13
	Web management course*	22	19

*Started in July 2019

Topics

Middle Management Training

Developing Next-Generation Management Personnel

From among employees in their 30s and 40s who will become the next-generation leaders of the Company, several members attended business school. To show what they have learned there, these members presented future business strategies to management at a training camp. In addition, we invited all those who were interested to take a web management seminar. Through such activities, we are actively developing management personnel.



Voice

Global Design Group, Design Department
Suminoe Teijin Techno Co., Ltd.

Ayaka Kamiya

Impression of the training for second-year employees

At the training, I was grouped with other second-year employees to hold discussions on our everyday work. We also received practical training as to how to proceed with work. Through such training, I realized anew the importance of performing jobs with a concrete goal or objective. I also studied how to set my job priorities and distribute my efforts accordingly to improve work efficiency. It was particularly informative for me.

Occupational Health and Safety

Safety Activities

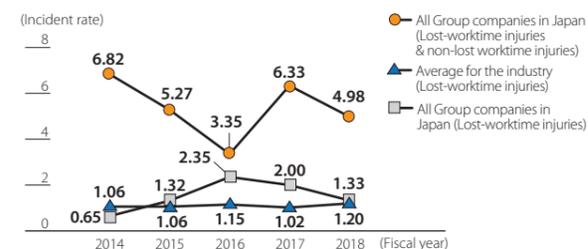
Promoting Occupational Accident Prevention Activities

At each office/factory of the Suminoe Textile 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 awareness-raising examples," and other information on the initiatives carried out at respective offices/factories. Through these efforts, we reduced both the number of occupational accidents and the number of lost-worktime injuries, thereby improving the incident rate. 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 2018.

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: 2018 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

Management of Working Hours

Promoting Measures to Correct the Issue of Long Working Hours

The First Personnel Subcommittee, established under the CSR Promotion Committee, regularly reviews current employees' working hours, and based on the results, it 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 it also repeatedly called employees' attention to no-overtime days in the morning assembly. Consequently, we have begun to see these measures gradually produce effects. The results of the Questionnaire Survey on Workplace Comfort also showed a higher rating for the question regarding employee's working hours than in the previous surveys.

As for the use of paid leave, we will discuss measures to increase the rate of employees using paid vacation days.

■ Use of paid leave (in Group companies in Japan)

Item / Fiscal year	2017	2018
Use rate of annual paid leave (%)	42.1	42.7

Prevention of Harassment

Create a Harassment-Free Working Environment with an Open Atmosphere

As part of its effort to create a comfortable working environment, the Suminoe Textile Group has conducted harassment prevention training. In fiscal 2018, as in the previous year, the training was provided mainly at offices/factories with a small number of employees, where we could not hold the training in the previous three years.

Employees of the Kansai Center and the Takino Center of Suminoe Logistics Co., Ltd. and Sewing Hyogo Co., Ltd. took lectures on harassment cases that may tend to occur at workplaces and on harassment on social network sites. At TANGO TEXTILE Co., Ltd., training was held to teach employees how to improve communication and how to coach subordinates without engaging in power harassment. Having received the training, participants made such comments as "I reconsidered the way that workplace communication should be in the future" and "I will take care to avoid behavior and action that may cause discomfort to others."

"We will continue to implement awareness-raising activities."



Initiatives for Society

Growth and Success of Employees—Creating a Working Environment Where Each and Every Employee Can Demonstrate His/Her Best Performance

Promoting Women's Empowerment

This section reports on the progress made in the Women's Empowerment Promotion Plan.

1. **Planned period:** June 1, 2018 – May 31, 2020:
2. **Targets and progress**

Target 1 Ratio of new female graduates hired

Suminoe Textile Co., Ltd. ... 50% or more for administrative and sales staff,
25% or more for technical and research staff
SUMINOE Co., Ltd. 40% or more for administrative and sales staff

■ New graduates hired (2019)



Target 2 Enhancing 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 promote initiatives to support female employees in striking a balance between career and family life. For details, please refer to "Supporting a Balance between Career and Family Life" on page 25 of this CSR Report.

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

As for the target of raising the rating of the questions regarding women's empowerment, we improved the rating by 0.02 point on average, according to the responses to the four questions from general employees. Going forward, we will continue to promote measures to ensure that not only female employees but also all individual employees can play active roles in their workplace.

Topics

Earning a High External Evaluation

Suminoe Textile Co., Ltd. obtained a two-star verification as an Osaka City Leading Company in Women's Participation.



Interviews with Female Employees Who Are Actively Working

Voice
Global Design Group, Design Department
Suminoe Teijin Techno Co., Ltd.
Yuka Mimura

Entering into the world of manufacturing, accomplishing my childhood dream

Since I was a child, I have loved drawing pictures and manufacturing something. At university, I learned dyeing and weaving. Since I wanted to do work related to what I had learned at university, I joined Suminoe Textile. Now I am in charge of designing automotive seat covering materials. Immediately after entering the company, I sometimes felt that seat covering materials that are a part of an automobile were less attractive, as compared with gorgeous interior or fashion materials. However, as I came to learn the texture of yarns, the beauty of textile tissues, and new processing techniques, I found myself absorbed in my present work.

Doing my utmost, with no later regrets

Manufacturing is challenging but rewarding. Every time we manufacture a product, we always take on new challenges. Members from sales, technical, and design divisions work as a team, exchange ideas and give a concrete form to the ideas through trial and error. First, we designers listen to requests and views of customers and then convey their requests and views to technicians, who will share them with staff working on the processing floor. Our jobs are not limited to creating design drawings and determining colors. We are also constantly involved in the development of a product for a competition, playing a role in indicating the direction of the development, so we bear a grave responsibility. When I work on the development of a product for a competition, I always do my utmost so that I will not have any regrets later. At the competition

site, I also try to convey our team's passion in making a presentation on the product, which is a culmination of great efforts of many members of the development team, so as not to let their hard work go to waste. Since I don't want to feel sorry later, thinking "If only I had done that," I make it a rule to exert all of my strength to accomplish each task at hand.

Of course, I am happy when the product is successfully completed. In addition, I feel the greatest pleasure and happiness when we can win an order for the product. This is probably because all the members involved in the development can share a sense of unity as a result of concerted efforts to overcome difficulties toward the same goal under great pressure. Until the completion of a product, we face so many difficulties, making me think "I won't ever do this again." When the development is finished, however, I can remember such difficulties most happily.

Passing what I have learned to younger employees

Since I work together with a number of people until a product is commercialized, I can learn a lot from their attractive features and resourcefulness. Thanks to the members with whom I have shared pleasure and exchanged candid views, I was able to overcome difficulties. I also appreciate my supervisors and seniors who have provided me with generous support, facilitating my personal growth.

In my second year after joining the company, I was assigned to work in the United States, which was a valuable experience for me. Although I faced many difficulties, I was able to become self-independent because of them. The human relations I established there are my treasures even today.

In design, everyone can be successful irrespective of gender. My working environment is truly comfortable since our hard work is fairly recognized. In the future, I wish to continue to develop myself together with younger employees, while teaching them the pleasure of manufacturing that I have experienced and the importance of teamwork, as much as I can.

Senior Employees Playing Active Roles

Voice
New Product Team, New Business Section
Owari Seisen Co., Ltd.
Mitsuhiro Mizukami

What approach do you take to your daily work?

I am in charge of handling new products in the New Business Section. Specifically, I am engaged in the manufacture of microfiber cleaning tools, CLOTHCABIN, and other products. On the New Product Team, a small number of staff members have to deal with a wide range of work, from order intake to quality control. As such, each member must be an all-rounder. I therefore think that I should always be ready to change myself, without being stereotyped or afraid of changes. My favorite maxim is "keep improving every day," and I am conscious of changing myself for the better day by day. This is the attitude I have taken since I was young, but it has become stronger after I became a Senior Employee.

What aspect of your work do you find the most worthwhile, and what has been your most beneficial experience working for the company?

We cannot survive if we just offer standard products without expanding our product lineup. With this recognition, I find it worthwhile to do my work based on my own ideas while creating something novel and making proposals from a new perspective. I treat people of our cooperative factories like my family members and attach importance to daily communication with them. I also feel a great sense of fulfillment when I act as a director who leads other members in a way that satisfies everyone. I have undergone many personnel changes and faced difficulties. However, while engaged in various kinds of work, I was happy to meet and

socialize with many people. It was a beneficial experience that brought me positive results.

What has been your happiest experience working for the company?

Ten years ago, our section had very poor sales figures. However, as we began to receive orders for products other than conventional ones, the section gradually began to produce stable sales. Since I didn't want to see my section closed while I was working here, I was happy to be able to make a profit.

Message to those working as Senior Employees

I hope that you will actively fulfill your duties without fearing changes. As we get older, we tend to become less willing to take on challenges. I believe, however, that it is important for us to do our everyday work with a new mindset, without going on the defensive.

Voice
New Product Team, New Business Section
Owari Seisen Co., Ltd.
Yumiko Motoe

Message to Mr. Mizukami from a Coworker

I respect Mr. Mizukami because he has all-around ability to perform a wide variety of tasks, including office work, development, quality control, and sales. When I have something I cannot understand, he gives me proper instructions and follow-up support. Although sometimes he may be too serious and square, Mr. Mizukami has a very gentle nature, and he always cheers us up. I hope that he will continue to teach us a lot of things in the future.

Introduction of a Local Employee Working at an Overseas Subsidiary

Voice
Suminoe Textile of America Corporation (STA)
Fabric/Mat Manager
Christopher Glawson
Joined the company on May 18, 2015

What aspect of your work do you find the most worthwhile?

I find it worthwhile to consider how I can get along well with employees and how STA can achieve positive results.

What is the key to communicating well with Japanese staff members?

It is to share the same understanding of the department targets with Japanese staff, trust them and establish strong ties with them.

What do you think are important in working with STA?

There are a lot of things that I feel are important for SUMINOE. Among them are the following:

1. Protect employees' safety by keeping the workplace clean and tidy (based on the Japanese "6S" approach: Seiri (sorting), Seiton (setting-in-order), Seiso (clearing), Seiketsu (standardizing), Shitsuke (discipline), and Saho (etiquette)).
2. Deliver high-quality products with confidence to customers, meeting promised delivery dates.
3. Maintain an environment that promotes open communication transcending departmental boundaries.
4. Maintain an environment that promotes open communication with employees and make them aware of what is important for SUMINOE and customers.

What is the special strength of STA?

A flexible way of thinking that can appropriately respond to the diversity of the market.

Initiatives for Society

Creating Value for Customers—Contribution to the Environment and Society through Manufacturing

Concept on Manufacturing

Contribution to Society through the Creation of Highly Functional Products

Our Group's Company Purpose is to "contribute to the improvement of society through the production and sales of good products and a prosperous business." We consider that it is our corporate responsibility to contribute to society by producing innovative technologies and highly functional products through our manufacturing activities. We are determined to satisfy the needs of our customers both at home and abroad, utilizing our comprehensive ability supported by the trinity of development, manufacturing and sales departments. To achieve this, establishing a good balance between our scheme and uniqueness is necessary. Toward the future, we will continue our efforts to foster our human resources and develop and suggest eco-friendly and health-conscious products.

Suminoe Textile Group's Value Chain for Manufacturing



Sharing Technical Information

Sharing Useful Technical Information across Departments

The Group organizes department meetings with participation from management in order to share technical information related to production technology, R&D status and intellectual property. In addition, to share new technologies and initiatives created at each office/factory, regular technical meetings are held in Nara and Osaka.



Design and Creation

Regular Meetings Held to Share Information across the Entire Group

The Design Department boasts a history of about 90 years since the establishment of its predecessor in 1929. Having undergone changes according to the change of the times, the department cherishes the attitudes of sensitively catching market trends and fashions and of studying and accepting new techniques and materials. Based thereon, the department is working to promote sustainable product development and eco-friendly designs that will last long, in cooperation with the technical department. Designers from each department attend regular meetings to share information, utilizing the opportunity to inspire eco-friendly designs and manufacturing across the Group.



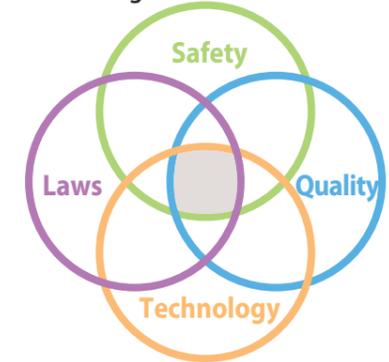
Quality Assurance and Product Safety

Basic Policy

Quality Management

To provide our customers with safe and secure products with satisfactory quality, our Group is making efforts to ensure the safety and improve the quality of our products based on the traditions and technology we have developed since our foundation. To maintain and improve product quality on a continuous basis, we apply the quality management system across the Group, give priority to our responsibility for customer satisfaction, and focus on "Better Products" and "Better Sales Service."

Suminoe Textile Group's Value Chain for Manufacturing

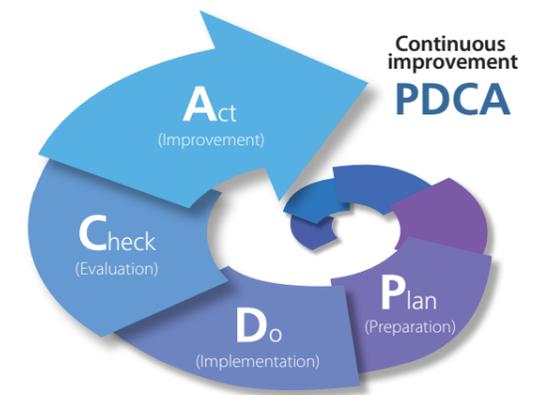


Quality Management System Certified by External Bodies

JIS Q 9100 Certification, a Quality Management System Standard for Aerospace and Defense Industries, Obtained

Seven offices/factories in our Group, both in Japan and overseas, have obtained ISO 9001 certification, an international standard for quality management. Outside Japan, five offices/factories have obtained, and one is trying to obtain, IATF 16949 certification. Last fiscal year, we obtained JIS Q 9100 certification, a quality management system standard for aerospace and defense industries. We will continue our efforts to improve quality even further and to provide safe, secure and more reliable products, thereby satisfying the needs of customers both in Japan and around the globe.

Suminoe Textile Group's Quality Cycle



Technical Development

Business Growth through Innovative Technical Development

The research department is required to have an inquiring mind at all times and take on challenges in new fields. It is not an easy task to utilize our unique solutions for customer needs and produce an innovative product. We will support our company's growth not only by utilizing our Group's traditional technology and production but also by promoting technical development in accordance with the changes over time. We are working to foster personnel who, based on their interest in people and things outside the company, will try to have broader knowledge and commit themselves to technical development, responding to the changing times. We are also making efforts to advance into new fields through cooperation with companies from other business fields as well as with universities and research institutions.

Status of Acquisition of External Certifications for Quality Management System

	Organization	Certification body	Registration No.	Registered	Expired
ISO9001:2015	Suminoe Techno Co., Ltd. Nara Factory <small>(Including Suminoe Techno Co., Ltd. Shiga Factory and Suminoe Logistics Co. Ltd. Nara Center)</small>	Japanese Standards Association	JSAQ 283	May 1998	May 2022
	Suminoe Teijin Techno Co., Ltd.	Japanese Standards Association	JSAQ 422	Jan. 1999	Jan. 2020
	Teijin Teclath Ltd.	Japan Quality Assurance Organization	JQA-QMA12298	Jul. 2005	Jul. 2020
	Owari Seisen Co., Ltd.	Japan Quality Assurance Organization	JQA-QMA12266	Jul. 2005	Jul. 2020
	Suzhou Suminoe Textiles Co., Ltd.	China Quality Certification Centre	00117Q25120RQM/3200	Dec. 2010	Jan. 2020
	Suminoe Textile of America Corporation (STA)	NSF ISR	C0315276-IS3	Feb. 2017	Jan. 2020
JIS Q 9100:2016	Suminoe Textile Co., Ltd. <small>(Functional Materials Business Division, Osaka First Sales Department and Quality Assurance Department)</small>	JIC Quality Assurance Ltd.	A5048	Apr. 2018	Apr. 2021
	Suzhou Suminoe Koide Automotive Accessories Co., Ltd. (SSK)	NSF ISR	CNTS024857	Jul. 2005	Mar. 2021
IATF16949:2016	T.C.H. Suminoe Co., Ltd. (TCHS)	TÜV Rheinland	01 111 064933	Aug. 2002	Feb. 2021
	SPM Automotive Textile Co., Ltd. (SPM)	Intertek	0223927	Dec. 2009	Jan. 2021
	Bondtex, Inc.	NSF ISR	83141-TS9	Sep. 2018	Sep. 2021
JIS Q 17025	Suminoe Textile de Mexico, S.A. de C.V. (STM)	DQS Holding GmbH	10015814QM15	Jul. 2019	Jul. 2022
	Kansai Laboratory Co., Ltd. (Osaka Laboratory)	National Institute of Technology and Evaluation	090277JP	Apr. 2009	Apr. 2021
	Kansai Laboratory Co., Ltd. (Nara Laboratory)	National Institute of Technology and Evaluation	000137JP	Sep. 2006	Sep. 2022

Initiatives for Society

Creating Value for Customers—Further Improvement of Customer Satisfaction

Delivery Track Records of Traffic Facilities



Interior Material Adopted for the New Limited Express “Laview” by SEIBU Railway Co., LTD.

On March 16, 2019, SEIBU Railway Co., LTD. launched its first new limited express train, “Laview,” in 25 years. The vehicle design was directed by an architect, Ms. Kazuyo Sejima, as a “never-seen-before train car” featuring a unique façade made of 3D curved glass and soft and bright interior colors that can be seen through large passenger windows. The train car produces an attractive and comfortable space like a living room, made possible by carefully selected color combinations as well as by the shape and texture of the seats.

All interior fabrics were designed anew. The moquette adopted as the seat covering material boasts a soft texture that is completely new, produced by specially processed pile yarn covering the entire surface. Our products feature polyester moquette for seats, curtains and carpet tiles.

Voice
 Osaka Traffic Sales Group Traffic Sales Department
 Suminoe Textile Co., Ltd.
Keisuke Ryu

The first new limited express train launched in 25 years, “Laview,” was co-developed by SEIBU Railway Co., LTD., designer Kazuyo Sejima, and Hitachi, Ltd. and embodies their strong passion for making a “never-seen-before train car.” We, as a manufacturer, made pilot interior fabrics many times, caring about the slightest details.

To create a bright cabin space with a soft impression, we made an all-out effort for material development. I am pleased that I could participate in making a train car that will be loved for a long time by passengers and look forward to feeling the passion of SEIBU Railway Co., LTD. when I get on the train car as a passenger.

Voice
 Chief, Rolling Stock Division,
 Rolling Stock Department, Railway Business Headquarters
 SEIBU Railway Co., LTD.
Mr. Katsuya Ushitsuka

The 001-series Laview was launched after a quarter of a century, following the 10000-series limited express New Red Arrow. We developed it with Ms. Kazuyo Sejima, a world-renowned architect, based on the concept of creating a new, never-seen-before train car.

The bright, white-based cabin houses warm yellow seats, calm gray curtains on windows, and low-maintenance carpet tiles on the floor. It is notable that Suminoe Textile Co., Ltd. produced grayish yellow moquette for seats featuring a color that would not easily fade away. Using it, we were able to produce “never-seen-before,” one-and-only, characteristic and cute seats with a round shape designed to gently envelop your body.

Delivery Track Records of Functional Materials



Deodorizing Filter Newly Adopted for Ceramic Fan Heaters by Hitachi Global Life Solutions, Inc.

Hitachi Global Life Solutions, Inc. produces highly functional products with sophisticated designs that match well with customers’ lifestyles.

The company newly adopted Suminoe Textile’s トリプルフレッシュ® (TRIPLE FRESH) bio filter for their ceramic fan heaters. Their ceramic fan heaters are compact and do not take up much space, so they can be used in various areas in the house, including the bathroom and entrance. The design of the トリプルフレッシュ® (TRIPLE FRESH) bio filter has been improved so

that it can exert its deodorizing function to the fullest and go better with compact heaters compared to conventional products. The トリプルフレッシュ® (TRIPLE FRESH) bio filter has been highly evaluated by Hitachi Global Life Solutions, and we will continue our efforts so that the filter will continue to be the first choice for them.

Voice
 Tokyo Sales Department
 Functional Materials Business Division
 Suminoe Textile Co., Ltd.
Kodai Komori

Ceramic fan heaters of Hitachi Global Life Solutions, Inc. are characterized by their compact size, and we could not offer our conventional トリプルフレッシュ® (TRIPLE FRESH) bio filter due to its thickness and pressure loss. Therefore, we started the development of a thinner filter with lower pressure loss. The schedule was tight and we faced many challenges. However, we visited the base material factory in China to directly investigate the cause and develop countermeasures. As a result, we were able to successfully deliver the new product. I am grateful for all those who cooperated with us, leading the product to be adopted.

I will continue taking on challenges and working proactively for product development.

Voice
 Functional Processing and Development Group
 Technical Center
 Suminoe Textile Co., Ltd.
Takahiro Hamasaki

This was the first filter featuring a base material other than paper, which had been used for the filters for conventional air purifiers, etc.

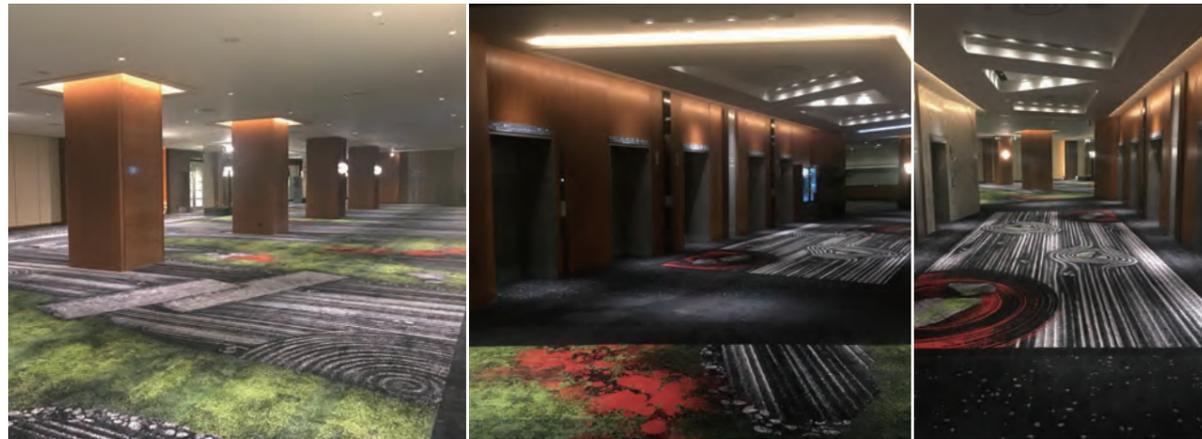
The challenge in the course of development was to prevent the filter from applying load to the fan motor and to enhance its deodorizing function. Conventional paper material caused higher pressure loss and overload, so we searched for a new material, selected the optimal deodorizer and studied processing methods. As a result, we were able to produce a filter with lower pressure loss. At the pre-production stage, we observed a problem with the product appearance. By investigating the cause and developing countermeasures in cooperation with the base material maker and the manufacturing department, we were able to successfully deliver the new product.

I will continue my utmost efforts to develop products that will meet the needs of our customers.

Initiatives for Society

Creating Value for Customers—Further Improvement of Customer Satisfaction

Delivery Track Records of Interior Fittings Products



The Main Banquet Floor on the 1F of Hotel New Otani Renovated with Specially Ordered Tufted Carpet

Hotel New Otani, one of Japan's leading hotels, was opened as an international hotel in 1964, when the Olympics were held in Tokyo. It has since been loved as a hotel suitable for the capital of Japan, Tokyo, and hosted numerous international conferences. The carpet covering the Main Banquet Floor on the 1F of Hotel New Otani was renovated for the first time in 18 years, following the renovation of the Lobby Floor on the 2F last year. The carpet from the banquet entrance, which has welcomed a number of VIPs from around the globe, leading to the banquet room, which

has hosted many guests as a top hotel of Japan, was transformed into a new one featuring a pattern expressing a Japanese rock garden with vivid red and green on a black background. Many people traverse over the banquet floor at all times in this international urban hotel. Therefore, the renovation work was conducted at night over a period of two weeks. Our efforts paid off—the hotel is satisfied with the result as they have received positive feedback from guests.



Voice

The Second Block, East Japan Branch
SUMINOE Co., Ltd.
Masaru Okuma

We have worked with Hotel New Otani for over 40 years. On the occasion of this renovation, we were able to deliver a product that bears comparison with products delivered in the past by my seniors. I am proud of this as a sales representative of SUMINOE. The venue is connected to the 1F entrance of the hotel, where many guests pass by. As such, we implemented the project with great care to ensure the safety of the hotel guests as well as SUMINOE's staff when carrying in and installing the carpet. It was one of the most difficult carpet installation works I have ever experienced, but I felt all the happier when I saw the exotically colored carpet beautifully covering the floor.

Voice

Representative of the Facilities Department,
Hotel New Otani

Our hotel is located next to the State Guest House, Akasaka Palace across Sotobori-dori Avenue, surrounded by lush greenery in the middle of Tokyo. We renewed the carpet on the 1F banquet floor for the first time in 18 years. Our hotel, opened as a new Japanese-style international urban hotel prior to the Tokyo Olympics in 1964, will be again welcoming guests from around the world in 2020. We needed to install a carpet that well serves this purpose, so we requested our long-term, reliable business partner, SUMINOE Co., Ltd., to produce and install a new carpet. The banquet floor of our hotel, one of the largest in Tokyo, was reborn as a sophisticated space and we have received very positive feedback from our guests. It was a successful project also from the viewpoint of facility management.

Delivery Track Records of Automotive Textiles



Automotive Textiles Adopted by Toyota Motor's RAV4 (Adventure/X/HYBRID X Grades)

The fifth-generation model of the Toyota RAV4, a pioneer of crossover SUVs selling well in Japan, was released. The fourth-generation model was not sold in Japan, but due to the global trend for SUVs, they resumed sales of the RAV4 in Japan from this new model. The exterior design features a cross-octagon (combination of two octagons) and boasts a sharp shape. There are 12 exterior color patterns, including two-tone colors. Regarding automotive textiles, our embossed

fabric is used as the main material for the seats of the X/HYBRID X Grades, and our GRACE CORD as the trim accent material of the Adventure Grade.



Voice

Design and Development Department, R&D Center
Suminoe Teijin Techno Co., Ltd.
Masaya Kido

Group worked as one to develop a better product.

This product was created based on four themes: use of textile fabrics, multicolor expression, resource-saving design, and cost performance. It was a difficult task to meet those conditions in making a main material for seats while also considering physical specs required by the maker. After making many trial products to achieve stable performance and weaving/processing conditions, we were able to start mass production some five years after the project launch. I am very pleased as a designer.



Voice

Design Department, R&D Center
Suminoe Teijin Techno Co., Ltd.
Kazunori Nakabayashi

To contribute to further improvement of the car interior texture, we designed this seat fabric with great attention to the smallest details.

The development of the RAV4's seat material started with the theme of "expressing commonalities with the icon pattern in the cabin." We did not simply use the same pattern as other parts but made the best of our inventiveness to take advantage of the embossing. In making the fabric, we pursued a contrast that maximizes the value of the embossed pattern. Thanks to the cooperation of all those involved in the development, I enjoyed the rare experience of creating a fabric for the RAV4, equipped with the feel of both precision and ruggedness.

Initiatives for Society

Communication with Local Communities (Social Contribution Activities)

Each factory/office in the Suminoe Textile Group has conducted community-based social contribution activities and will continue to do so.

Local Cleanup Activities

Each factory/office actively participated in cleanup activities with the purpose of beautifying the surrounding area. Each employee has been continuously taking part in the activities, being well aware of environmental protection.



Teijin Teclath Ltd. 45 employees participated in the Inazawa "Gomi Zero" Campaign (Inazawa Garbage Reduction Campaign), May 2019
Suminoe Textile Co., Ltd. Nara Office Nineteen employees participated in the beautification activity around the factory, May 2019

Sponsorship of the Midosuji Illumination

The Midosuji Illumination is a large-scale event to fill Midosuji, a symbolic street of Osaka stretching about 4 km from Umeda to Namba, with light. As a local-oriented company, Suminoe Textile Co., Ltd. has supported this event since fiscal 2017. We will continue our support activities to energize Midosuji.



Cooperation with the "Nakanoshima Children's Book Forest" Foundation

Suminoe Textile Co., Ltd. made a donation to the Nakanoshima Children's Book Forest, to open in March 2020 as a place to enhance the creativity and emotions of children in Osaka. We are supporting this facility with a wish to expand the capabilities and enrich the hearts of children who will play a leading role in Japan's future.

Cooperation with Educational Institutions (Lecture on the Future Path)

Tango Textile Co., Ltd. organized a lecture on the future path for third grade students at a local high school, namely, Kyoto Prefectural Amino High School, Taiza Branch, as part of career education. Under the theme "To participate in society through work," the lecturer conveyed the things to keep in mind during high school life and at work. Participating students provided such comments as "Greetings will improve the image of a person," "I will learn to be a patient person," and "I will never give up." The company also accepts interns and provides work experience programs.



Lecture on the future path Kyoto Prefectural Amino High School, Taiza Branch

Social Contribution Activities at Suminoe Textile of America Corporation (STA)

STA makes donations every year to Spartanburg Dominion Boys' Home, a local facility where 32 boys aged between 10 to 18 live. The facility provides support for boys having no relatives to rely on or having undergone abuse at home to live everyday life in safety, serving as "a house for boys to find their childhood." Their activities are supported by churches and other organizations. The company also donated school supplies and book bags to an elementary school in Gaffney. STA will continue support activities for children.



Book bags offered



School supplies

Letter of gratitude from the Boys' Home

Initiatives for the Environment

Environmental Management—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"

The Suminoe Textile Group is promoting environmental measures based on the seven declarations released in 1998 and revised in 2009.

Declaration 1 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 2 We shall respond to the recycling society and positively adopt recycled materials.

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 for that purpose include スミトロン® (SUMITRON) polyester yarn made from recycled PET bottles, a recycling system for carpet tiles in which used tiles are recollected and recycled into new products, SUMICUBE® seat cushion material for railway cars boasting high recycle efficiency, and SE Light simplified raised floor material made from PP resin which was recycled from beer cases.

Declaration 3 We shall provide products that enable the reduction of CO₂ and decrease 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 products—materials, manufacturing, transportation, use, and disposal.

Declaration 4 We shall use safe/secure materials and always consider health and the 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 5 We shall work on resource and energy conservation from manufacturing 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 the production process. We will also update energy-saving facilities constantly, improve product quality, reduce the weight of products, and simplify packaging. At the same time, we will strive to increase the efficiency of transportation, resources utilization, and waste disposal, thereby promoting resource and energy conservation.

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

Tougher controls have been in place both in Japan and abroad on the use of specific chemical substances in products. In response to this, we will check all of our products using relevant materials and properly manage such materials based on the Supply Chain Management (SCM) concept. Furthermore, we will keep ourselves abreast of the latest information on product safety.

Declaration 7 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."

Initiatives for the Environment

Environmental Management—Under the Slogan of KKR+A

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
 - ② Development of recycling technology and recycling system
 - ③ Development of products and technology to replace materials which would put less load on environment and have more safety
 - ④ Development of product which could improve environment and contribute to health and comfort
- 3** We will try to live together with community through close communication and all employees will start action from whatever one can do.
- 4** We will try to maintain internal system to promote environmental protection and enhance environmental consciousness of all employees.

Environmental Protection Promotion System

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



Introduction of environmental management system

The Nara Factory obtained ISO 14001 certification in fiscal 2000, making it the first among the Group to be awarded certification on environmental management. To date, five factories in Japan have obtained ISO 14001 certification, and one factory Eco Action 21 certification.

	ISO14001: 2015			Eco Action 21: 2009
	Nara Factory, Shiga Factory	Teijin Teclath 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)	6th renewal completed (April 2019)	5th renewal completed (July 2017)	3rd renewal completed (July 2019)

Fifth Medium-Term Activity Goals —Eco Challenge 2020—

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 all of our business activities and our products throughout their lifecycle. We are committed to manufacturing environmentally friendly products. One example is active use of recycled materials, including polyvinyl chloride powder recycled from used carpet tiles and raw cotton and polyester pellets recycled from PET bottles. In conducting CSR activities, we also focus on environmental conservation, and Group-wide efforts are underway to achieve the goals set under Eco Challenge 2020.

Eco Challenge 2020 (Fifth Medium-Term Activity Goals)

We have formulated Eco Challenge 2020 (Fifth Mid-Term Activity Goals) as a set of goals on environmental protection. Its duration is two years from fiscal 2018 to 2019, during which we promote environmental activities.

Affiliates covered by Eco Challenge 2020



- 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

Period: Fiscal 2018–2019 (two-year plan; data collection lasting between June 2018 and May 2020)

Activity Goals and Fiscal 2018 Results

No.	Work areas	Final numerical targets	Base FY	Numerical targets for FY2018	FY2018 results	Evaluation	
							○:Attained △:Not attained at some factories ✕:Not attained
1	Prevention of global warming	Reduction of energy consumption	2% reduction (Basic unit)	2017	-1%	-4.4%	○
	Reduction of fuel consumed by company-owned vehicles	2% reduction (Basic unit)	2017	-1%	-5.1%	○	
2	Resources conservation	Increased utilization rate of recycled material	2% improvement	2017	1%	1%	○
	Reduction of industrial waste	2% reduction (Basic unit)	2017	-1%	2.7%	△	
3	3Rs regarding waste material	Increase of recycling rate	65% or more	—	65% or more	65.9%	○
		Reduction of waste disposal rate via land reclamation	10% or less	—	10% or less	19.0%	△
4	Prevention of environmental pollution	Reduction of air pollution (reduction of NOx emissions)	2% reduction (Basic unit)	2017	-1%	-3.7%	○
		Reduction of emissions reported under PRTR system	2% reduction (Basic unit)	2017	-1%	4.4%	△
5	Promotion of green activities	Improvement of green stationery purchase rate	95% or more	—	95% or more	85.2%	△
6	Promotion of LCA assessment for products	12 items under LCA	—	6 items	0 items	×	
7	Promotion of development of environment-friendly technologies	2 cases	—	1 case	1 case	○	
8	Promotion of development of environment-friendly products	6 cases	—	3 cases	3 case	○	
9	Promotion of biodiversity preservation in business activities	—	—	—	—	—	
10	Consolidation of data on environmental impact of overseas factories and reduction of such impact	Compilation of data for all overseas factories	2017	+1 company	0 company	×	

Basic unit: Consolidated sales used as a denominator for calculation

Conversion coefficient: The amount of CO₂ emissions is calculated based on a conversion coefficient set in accordance with the law to promote measures against global warming. The amount of NO_x emissions is calculated based on a conversion coefficient used in the 2002 edition of Eco Action 21. The amount of CO₂ emissions at overseas factories is calculated based on a conversion coefficient set for each country in the 2007 GHG protocol.

Initiatives for the Environment

Eco Challenge 2020 (Fiscal 2018 Results)

Eco Challenge 2020 uses the fiscal 2017 data as the standard. In fiscal 2018, the first year for Eco Challenge 2020, we achieved targets in work areas related to prevention of global warming and environmental pollution.

Prevention of global warming

Reduction of Energy Consumption

We assess the results of our energy-saving activities based on the calorie equivalent of our energy consumption*. Eight companies have been included in the "overseas" category since the base year fiscal 2017 (five for 2016 or before).
*Unit of calorie equivalent of energy consumption: GJ (gigajoule)

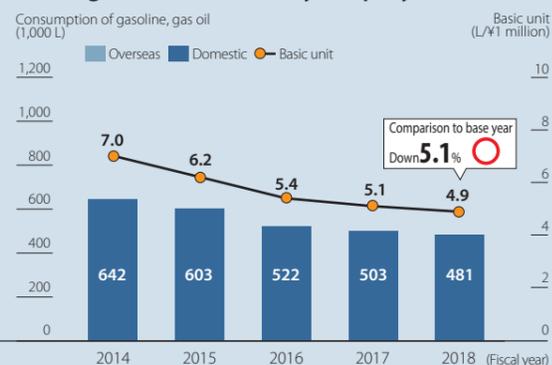
Change in calorie equivalent of energy consumption [including overseas consumption]



Reduction of Fuel Consumed by Company-Owned Vehicles

We are striving to reduce fuel consumption by company-owned vehicles by promoting eco-driving and adopting a policy of actively switching to fuel-effective vehicles. We have steadily achieved our targets for the past five years.

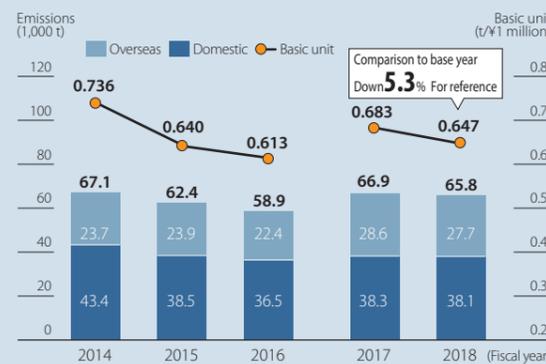
Change in fuel consumed by company-owned vehicles



[Reference data] Reduction of CO2 Emissions

We assess the impact of our corporate activities on global warming based on CO2 emissions. Both CO2 emissions and basic unit have decreased compared to 2017 (overseas: 8 companies for 2017 onwards, 5 companies for 2016 or before).

Change in CO2 emissions [including overseas emissions]



Resources conservation

Increased Utilization Rate of Recycled Materials

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

Rate of use of recycled materials



3Rs regarding waste material

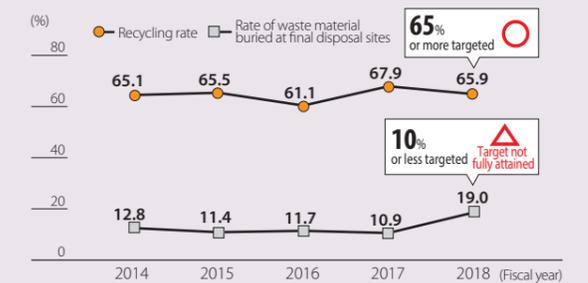
Reduction of industrial waste generated Increasing the Recycling Rate and Reducing the Waste Disposal Rate via Land Reclamation

We are striving to reduce industrial waste generation by minimizing unused materials for our products, by not manufacturing products that do not pass quality standards, and by using resources effectively. In this fiscal year, situations related to waste treatment were changed, which have affected the amount of industrial waste generated and the waste disposal rate via land reclamation.

Reduction of industrial waste generated



Changes in recycling rate and rate of waste material buried at final disposal sites

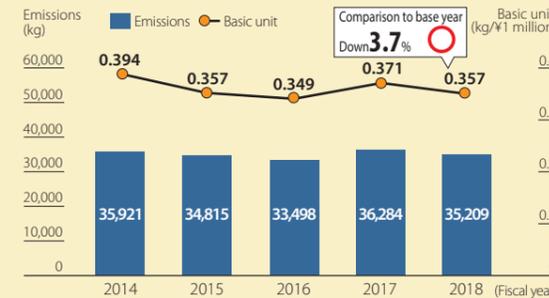


Prevention of environmental pollution

Reduction of air pollution (NOx emissions)

Substances that may pollute air 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.

Reduction of NOx emissions



Reduction in the Amount of PRTR 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 substances

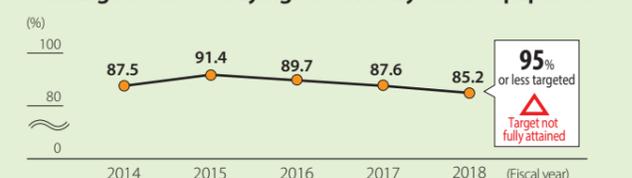


Promotion of Green Activities

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 throughout their entire life cycle, from collection of materials to disposal.

Change of rate of buying eco-friendly office equipment



Initiatives for the Environment

Eco Challenge 2020 (Fiscal 2018 Results)

Promotion of LCA* Assessment for Products

Promotion of LCA Assessment for Products (6 Items Targeted)

We have established an LCA system for products and have conducted in-house assessments since fiscal 2015. Assessment of 12 items has been set as the target for the two years from fiscal 2018 to 2019. However, since there were no new target products in fiscal 2018, we did not conduct any assessments.

* 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 and Products

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

UV inkjet printing on PH film

We have developed a technology that enables high-resolution, lightfast printing on environment-friendly floor signage films that are often used for train cars.



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

- 1 Hybrid cushion material made by combining SUMICUBE® (seat cushion material for train cars) and SUMICUBE AIR (new resin spring material)
- 2 Caruru, an ultralight carpet that can be easily washed at home, made in pursuit of lightness and compactness
- 3 “空気を洗う壁紙” (Air Cleaning Wallcoverings) Olefin Plus® that can deodorize 12 substances, featuring recycled materials on the surface



Consolidation of Data on Environmental Impact of Overseas Factories and Reduction of Such Impact

Compilation of Data for Overseas Factories

There were no overseas factories that started compilation of environment-related data during fiscal 2018.



Environmental Activities for Preserving Biodiversity in Business Operations

Factories run by the Suminoe Textile Group have been undertaking various unique activities since fiscal 2013 to protect biodiversity based on the environment protection guidelines the Group formulated 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 Promoting new measures that are possible at each factory for preservation of biodiversity Activities to seek suppliers' cooperation in reducing impact on biodiversity across the entire supply chain

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

3 Social contribution activities

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

Activity Results

[Nara Factory of Suminoe Textile Co., Ltd.]

The factory has participated in activities of the Ando Ouyu-Kai, an association aimed at developing a cherry tree-lined promenade in the area along the Okazaki River flowing south of the factory, and has taken care of the trees.

[Shiga Factory of Suminoe Techno Co., Ltd.]

The factory has been working on propagating the Sasayuri lily, known as the flower of Koka City and a symbol of the harmonious coexistence of people and nature, on the factory premises.

[Factory at the head office of Owari Seisen Co., Ltd.]

The factory has been supporting the project to revive fireflies along the Kiso River and in other wetland areas, as a member of the Ichinomiya Heisei Firefly Association.

c o l u m n

Exhibition on the History of Train Interiors (Moquette from Meiji, Taisho and Showa) Held

Suminoe Textile Co., Ltd. organized an exhibition highlighting the moquette (seat cloth) for train cars. The company first developed it in Japan and has continued its production and sales to this day.



[Osaka Event] Period: April 22 (Mon.) to August 31 (Sat.), 2019
Venue: Suminoe Textile Co., Ltd. Showroom on the 4F of the Head Office Building

[Tokyo Event] Period: September 17 (Tue.) to December 26 (Thu.), 2019
Venue: Suminoe Textile Co., Ltd. Tokyo Showroom on the 3F of BR Gotanda Building

We displayed rare original moquettes we have produced, over the change of the times through the eras of Meiji, Taisho, Showa and Heisei.

Most notably, the moquette indicating the emblem of the Osaka City Tram, miotsukushi channel marker, is the oldest domestic item preserved at the company. It astonished visitors with its vivid color retained from those days.

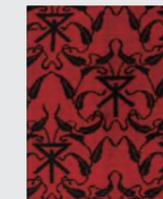
More recent moquettes displayed included those for the 0-series Shinkansen (operated by Japan National Railways) as well as those for other trains of JR and private railways. Visitors were able to directly touch them and feel the difference in materials, such as wool and polyester.

In addition to moquettes for train cars, we also displayed moquettes for ships used during the Taisho Era and early Showa Era. The classy designs for international passenger ships conjure an image of luxurious cruises in the good old days.

Since the exhibition attracted many visitors from across

Japan and was very well received, we extended the period of the Osaka Event and hastily organized the Tokyo Event.

It served as a wonderful opportunity to publicize the history of train interior materials and the Suminoe Textile Group's strong desire to take on new challenges and to become a "one-of-a-kind" company.



Seat cloth for Osaka City Tram



Seat cloth for the Ikegami-maru (ship) of O.S.K. Lines, Ltd.

Osaka SIP and Tokyo SIP (Showrooms)

Using these venues, we share information on interior fittings through projects, such as history exhibitions and seminars, and work on diverse cultural/social contribution activities.



Osaka SIP
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Editorial Postscript

Thank you very much for reading our CSR Report 2019.

We organized the information about the Group's ideas and projects related to CSR activities and expressed them in an easy-to-understand manner. While we receive growing demands for tackling international social challenges, we are determined to continue steady implementation of CSR activities to become a corporate group to be trusted. 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.

CSR Report Editorial Team