



July 12, 2024

For Immediate Release

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Notice Regarding Formulation of the Medium-to Long-term Management Targets for the Latter Three-Year

Suminoe Textile Co., Ltd. (hereinafter, “the Company”) hereby provides notification that it has formulated the “SUMINOE GROUP WAY 2025-2027 STEP II” for the latter three-year from the fiscal year ending May 31, 2025 to the fiscal year ending May 31, 2027 in accordance with the Medium-to Long-term Management Targets “SUMINOE GROUP WAY 2022-2024-2027” announced in July 2021.

Details

1. Subject Period

Three-year from the fiscal year ending May 31, 2025 to the fiscal year ending May 31, 2027

2. Positioning of the Medium-to Long-term Management Targets

In July 2021, we established Medium-to Long-term Management Targets “SUMINOE GROUP WAY 2022-2024-2027” to increase sales of products that meet social needs and promoting global management, and to grow in the future through the combined efforts of all Group employees, based on the ESG management.

In the first three years of the “SUMINOE GROUP WAY 2022-2024 STEP I” from the fiscal year ended May 31, 2022 to the fiscal year ended May 31, 2024, we have steadily planted “Sow the seeds” for the future. For the latter three-year “SUMINOE GROUP WAY 2025-2027 STEP II”, which covers the fiscal year ending May 31, 2025 to the fiscal year ending May 31, 2027, is positioned as a period in which we will steadily raise the level of our true capabilities.

By promoting the “SUMINOE GROUP WAY 2025-2027 STEP II”, we aim to achieve sustainable growth and further enhance our corporate value.

*For details of the Medium-to Long-term Management Targets “SUMINOE GROUP WAY 2025-2027 STEP II”, please refer to the attached document.

Risk information concerning the prospects for future performance stated in this material

The forward-looking statements in this document regarding the Company’s future plans, strategies, etc. are based on a reasonable judgment that is predictable at this point, and actual results may differ due to various factors in the future.

Medium- to Long-term Management Targets

“SUMINOE GROUP WAY 2022-2024-2027”

Review of SGW STEP I (2022-2024) and policy for SGW STEP II (2025-2027)



SUMINOE
GROUP

From Suminoe Textile Co., Ltd. to **SUMINOE Co., Ltd.**

Our trade name will be changed in December 2024, with the aim of accelerating global expansion and enhancing non-textile areas. We will further strengthen the movement for transformation.

* This trade name change is subject to approval of the "Partial Amendments to the Articles of Incorporation" at the 135th Annual General Meeting of Shareholders scheduled for August 29, 2024.

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01

Role of Medium- to Long-term Management Targets in the long-term vision

- Transformation of SUMINOE GROUP
- Overall Picture of Medium- to Long-term Management Targets
- The future we aim for and the initiatives to achieve it
- To create the future we aim for

Transformation of SUMINOE GROUP

Since its establishment in Sumiyoshi, Osaka, in 1883, as a pioneering interior manufacturer, the SUMINOE GROUP has provided customers with a wide range of textile products and expanded its business domain while responding to the needs of the times. In 2024, we are entering a new turning point.

1883



Contributing to Japan's modernization



Popularizing carpets



140 years of history
Suminoe Textile Co., Ltd.

Pioneering environmental creation and environmental care

We will transform our many years of experience into the power to create a future that does not yet exist.

CHANGE! 2024

- Accelerating global expansion
- Enhancing non-textile areas
- Establishing the SUMINOE brand

Bringing innovation to all kinds of spaces

To set a “new comfort standard” in harmony with the times and the earth to create delightful lifestyles of the future.

The future we aim for

2050

SUMINOE Co., Ltd.

Trade name change as the declaration of our determination

Scheduled date of change
December 2, 2024*

SUMINOE Co., Ltd.
(SUMINOE Kabushiki Kaisha)

Realization of our determination through Medium- to Long-term Management Targets

SGW SUMINOE GROUP WAY
2022~2024~2027

We aim to build a stable foundation for the future in the two phases of STEP I (2022-2024) and STEP II (2025-2027).

* This trade name change is subject to approval of the “Partial Amendments to the Articles of Incorporation” at the 135th Annual General Meeting of Shareholders scheduled for August 29, 2024.

Overall Picture of Medium- to Long-term Management Targets

Steadily raise the level of our true capabilities

SGW STEP II (3 years from 2025 to 2027)



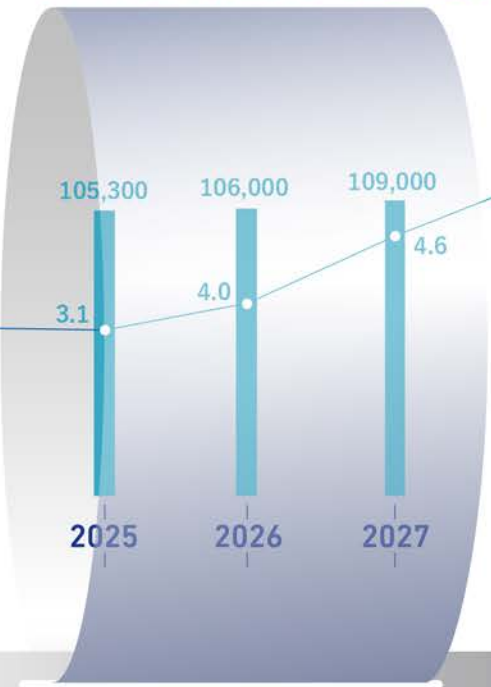
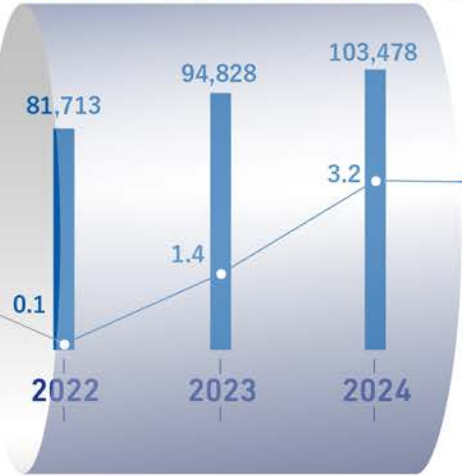
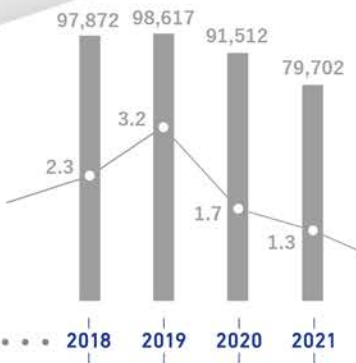
Bringing innovation to all kinds of spaces



2050

■ Net sales (million yen)
● Operating margin (%)

“Sow the seeds” for the future
SGW STEP I (3 years from 2022 to 2024)



Growth engine

Accelerating global expansion

Enhancing non-textile areas

The future we aim for and the initiatives to achieve it

Vision The future we aim for

To set a “new comfort standard” in harmony with the times and the earth to create delightful lifestyles of the future.

Based on the core technologies that we have cultivated to date, and with the creativity to flexibly envision the ideal space, we will create new value that will change society.

Our initiatives

Accelerating global expansion

We promote the enhancement of product lineups and human resources development, and expand our manufacturing and sales sites, with the aim of reinforcing our global optimal supply system.



Enhancing non-textile areas

We create value for “all kinds of spaces” by utilizing our fundamental core technologies, including those not limited to textiles.



Establishing the SUMINOE brand

From Suminoe Textile to SUMINOE. We will establish a new corporate image that is not only in Japan or in the textile industry but also on a global scale.



Diversification of business risks and horizontal deployment of technologies among three segments

Fundamental core technologies

- Textile and knitting production technology
- Recycled polyester yarn-making technology
- Functionalization technology
- Coating technology
- Lamination technology
- Hard cotton processing technology

Ability to change with market needs
Traditional brand power

What innovations can we contribute to space?
Sharing this vision throughout the Group, we have promoted the “Shin Mirai (lit. new future) Project” since 2022.



Sharing and dissemination of the Philosophy

We conduct Group-wide training regularly to ensure that the Group Philosophy is fully understood.



Cross-departmental and sharing

- Cross-departmental communication “Tsunagu-wa-cation”
- “Tsunagu-meeting,” a roundtable meeting for President and officers of the Administration Headquarters to talk with employees grouped by age bracket.



2050 Backcasting Project

Multiple teams formed with members appointed by management to lead the next generation will expand the possibilities of the SUMINOE GROUP by utilizing our core technologies and through co-creation with different industries.



CUBE Smart House with sensors and digital fabric



Fabric for growing plants



Textile revolution to create a society where no one is left behind in the event of a disaster

02

Review of Medium- to Long-term Management Targets STEP I (2022-2024)

- Medium- to Long-term Management Targets
- Results and future tasks

Medium- to Long-term Management Targets

To ensure “change” for the future, we have formulated the Medium- to Long-term Management Targets. This plan, called SGW (SUMINOE GROUP WAY), spans six years in two phases and is already under way.

Management policy

- Establish better business models to globally grow as a company required by society.
- Gain sound profits to invest in future growth.
- Strengthen ESG management.

Expand sales and build a foundation for growth

- Operating margin: 5% or more.
- Strengthen cost competitiveness.
- Investment plan for building a foundation for growth.
- Develop one-of-a-kind products.
- Develop and promote the sale of products for environmental measures.
- Expand sales of products with antibacterial and antiviral effects.

Financial

Improve financial structure

- Improve D/E ratio.
- Increase inventory turnover.
- Effective use of treasury stock
- Improve work efficiency using core systems.

Create workplaces for employee happiness

- Create a healthier work environment.
- Cultivate human resources.
- Effectively use diverse human resources.

Non-financial

Share the Company's vision with employees

- Improve corporate brand value.
- Enhance governance.

Bringing innovation to all kinds of spaces

To set a “new comfort standard” in harmony with the times and the earth to create delightful lifestyles of the future.

Results and future tasks

Make steady efforts to “sow the seeds” for the future

SGW STEP I plan and results

Net sales and operating income achieved the plan

	FY2024 plan	FY 2024 results		FY2024 plan	FY2024 results
Net sales <small>(million yen)</small>	93,490	103,478	ROE (%)	6.6	2.9
Operating income <small>(million yen)</small>	3,300	3,300	Capital investment <small>(5-year total : million yen)</small>	10,000	10,953
Operating margin (%)	3.5	3.2			

Achievements

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

Future tasks

Automotive Textiles

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



Traffic Facilities

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



Interior Fittings

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



Functional Materials

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



Policy of Medium- to Long-term Management Targets

STEP II (2025-2027)

- Priority Themes
- Policy of each Business > Automotive Textiles > Traffic Facilities > Interior Fittings > Functional Materials
- Policy for Technology Development
- Three-year Consolidated Income and Expenditure Plan
- Materiality

Priority Themes

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



Policy of Automotive Textiles



Tasks

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

Policy

We will pave the way for improved profitability by updating our global strategy and advance investments for full-scale growth of our operations in North and Central America to increase our presence in overseas markets.

- **Develop a proposal system for synthetic leather and further increase orders.**
- **Obtain new orders and expand sales for one-of-a-kind products, such as decorative fabric materials for car seats.**
- **Find new customers through technical and design presentations.**

Accelerating global expansion



By adding the Vietnam base to our current 11 overseas bases in six countries for the Automotive Textiles business, we will further strengthen our globally optimized supply system while working to increase the recognition of the SUMINOE brand overseas, which will lead to expanded sales for foreign manufacturers.

Enhancing non-textile areas



The target of 10 billion yen in synthetic leather sales for the fiscal year ending May 31, 2027 was achieved in the fiscal year ended May 31, 2024. Going forward, with a synthetic leather factory in Mexico added as a new growth engine, we will work to strengthen our competitiveness by securing stable orders and optimizing/streamlining our production system.

Market trends

- Recovery from the deterioration of social and economic activities caused by the COVID-19 pandemic and shortage of semiconductors
- Fluctuations of exchange rates, and soaring raw material prices and labor costs
- Spread of the perspective of SDGs
- Population decline in the medium to long term
- Expansion of new demand, such as practical application of MaaS, a next-generation transportation service

Policy of Traffic Facilities

Tasks

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

Policy

As a market leader holding the top market share for over a century, we are committed to technological innovation while preserving traditional Japanese culture and techniques.

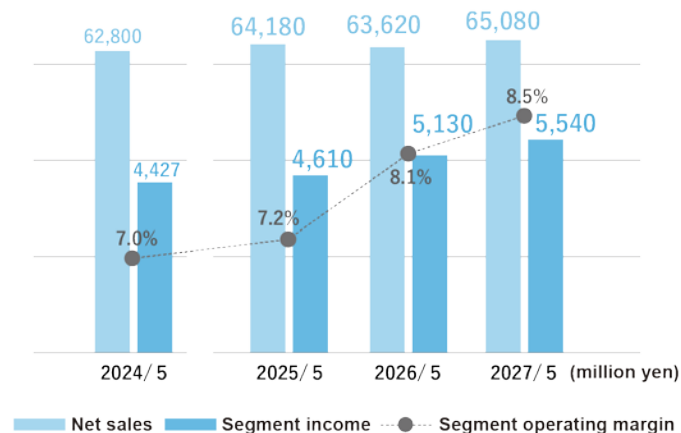
- Ensure an efficient and stable production system.
- Establish a safe and appropriate management system for technologies and know-how.
- Create new markets through collaboration with other businesses.

Market trends

- Recovery from the deterioration of social and economic activities caused by the COVID-19 pandemic and shortage of semiconductors
- Fluctuations of exchange rates, and soaring raw material prices and labor costs
- Spread of the perspective of SDGs



▶ Three-year Plan for Automotive Textiles and Traffic Facilities



- Population decline in the medium to long term
- Expansion of new demand, such as practical application of MaaS, a next-generation transportation service

Policy of Interior Fittings

Tasks

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

Policy

Taking pride in being an industry pioneer, we will work to enhance the profitability of existing businesses and create new value.

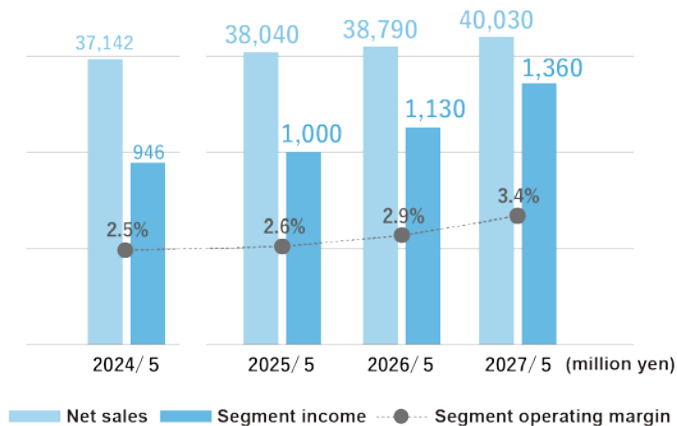
- Discover new demand and differentiate ourselves from other companies.
- Actively expand market into mid- to high-end zones.
- Strengthen sales by improving logistics efficiency in response to market changes.
- Create synergy with the space design business.

Market trends

- Changes in society due to external factors
- End of the COVID-19 pandemic
- Weakened supply chains
- Decrease in new housing starts
- Concentration of office and commercial facility construction in urban areas



► Three-year Plan for Interior Fittings



Policy of Functional Materials

Tasks

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

Policy

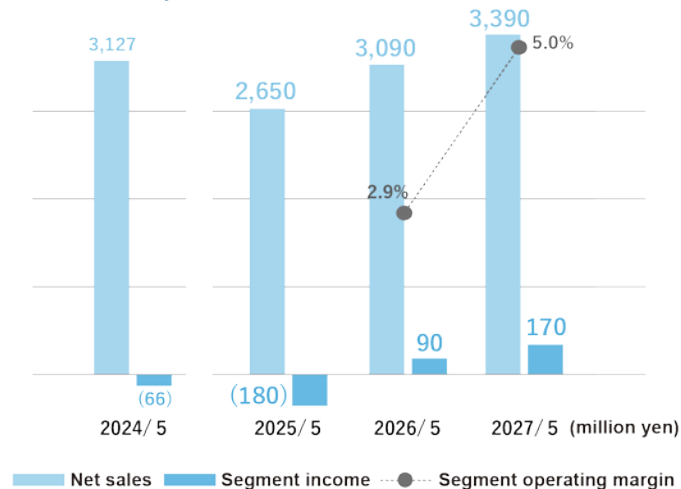
As a source of technology to be deployed throughout the Company, we will work to develop new functions such as smart textiles and foster new growth businesses.

- Promote product development in response to social issues and market needs.
- Reinforce development in new areas for the next generation, such as smart textiles.
- Optimize operations at the Vietnam base through collaboration with other businesses.
- Develop applications of our unique materials and processing technologies and expand the scope of applications to other fields.

Market trends

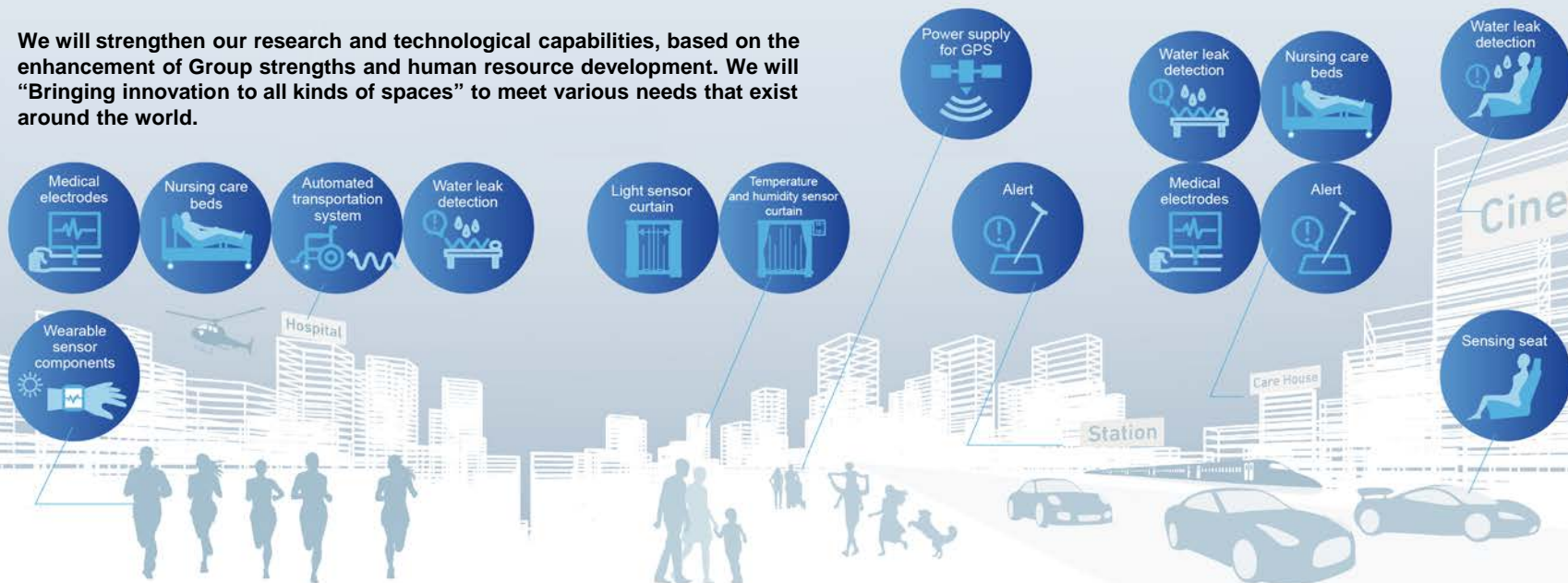
- Changes in consumer needs and purchasing trends due to climate change and lifestyle changes after the COVID-19 pandemic
- Fluctuations of exchange rates, and soaring raw material prices and labor costs
- Spread of the perspective of SDGs

▶ Three-year Plan for Functional Materials



Policy for Technology Development

We will strengthen our research and technological capabilities, based on the enhancement of Group strengths and human resource development. We will “Bringing innovation to all kinds of spaces” to meet various needs that exist around the world.



Enhancement & integration

Absorption processing technology

Flame retardant technology

Resin compounding technology

Processing technology

Analysis evaluation technology

+

NEW

Create new and intellectual property-linked core technologies.

Enhancement of Group capabilities

- Create synergies by promoting communication among Group companies.
- Visualize intellectual property throughout the SUMINOE GROUP.

Cultivate human resources.

- Promote sharing of technologies and quality through visualization of development cases and data.
- Create video manuals for measuring equipment to promote general use.

- Reorganize testing operations, existing development operations, and new development operations, and train relevant employees.
- Actively recruit overseas personnel and mid-career personnel.

Three-year Consolidated Income and Expenditure Plan (1)



FY2024		FY2025	FY2026	FY2027	STEP I and STEP II Comparison of final year	
(million yen)	Results	Plan	Plan	Plan	(%)	(Amount)
Net sales	103,478	105,300	106,000	109,000	+5.3%	+5,521
Operating income	3,300	3,300	4,200	5,000	+51.5%	+1,699
Operating margin	3.2%	3.1%	4.0%	4.6%		
Ordinary income	3,668	3,400	4,200	5,000	+36.3%	+1,331
Profit attributable to owners of parent	874	1,500	2,100	2,600	+197.3%	+1,725
Exchange rate 1 dollar	145.31	144.00	131.00	125.00		

Net sales by base

FY2024		FY2025	FY2026	FY2027	STEP I and STEP II Comparison of final year	
(million yen)	Results	Plan	Plan	Plan	(%)	(Amount)
Net sales	103,478	105,300	106,000	109,000	+5.3%	+ 5,521
Japan	67,793	68,900	71,100	73,000	+7.7%	+5,207
North and Central America	18,469	18,700	17,300	18,700	+1.2%	+230
China	8,098	8,000	7,800	7,900	(2.5%)	(198)
Asia	9,116	9,700	9,800	9,400	+3.1%	+282

Three-year Consolidated Income and Expenditure Plan (2)

Breakdown by segment

		FY2024	FY2025	FY2026	FY2027	STEP I and STEP II comparison of final year	
(million yen)		Results	Plan	Plan	Plan	(%)	(Amount)
Automotive Textiles and Traffic Facilities	Net sales	62,800	64,180	63,620	65,080	+3.6%	+2,279
	Segment income	4,427	4,610	5,130	5,540	+25.1%	+1,112
Interior Fittings	Net sales	37,142	38,040	38,790	40,030	+7.8%	+2,887
	Segment income	946	1,000	1,130	1,360	+43.7%	+413
Functional Materials	Net sales	3,127	2,650	3,090	3,390	+8.4%	+262
	Segment income	(66)	(180)	90	170	—	+236
Other	Net sales	407	430	500	500	+22.7%	+92
	Segment income	76	90	130	170	+123.3%	+93
Adjustment	Segment income	(2,083)	(2,220)	(2,280)	(2,240)	—	(156)
Total	Net sales	103,478	105,300	106,000	109,000	+5.3%	+ 5,521
	Operating income	3,300	3,300	4,200	5,000	+51.5%	+ 1,699

Materiality

We identified our materiality based on the issues in the Medium- to Long-term Management Targets, which were derived from international standards regarding social responsibilities and sustainability, and through interviews with and surveys on stakeholders both inside and outside the Company.

Field	Materiality (Key Issues)	Themes
<p>Value creation/ Revenue opportunities</p> 	<p>Improve the social value of the SUMINOE brand through innovation.</p> <p>Provision of valuable products and services</p>	<ul style="list-style-type: none"> Pursuit of design, texture and functionality to provide a comfortable environment in all kinds of spaces Inheritance and development of traditions and techniques Development, manufacture and sales of environmentally friendly products
<p>E (Environment)</p> 	<p>Under our fundamental development philosophy “KKR+A (Kenko [Health], Kankyo [Environment], Recycling and Amenity)” and “Environmental Declaration,” we will promote the concept of “harmony with the earth.”</p> <p>Preservation of the global environment</p>	<ul style="list-style-type: none"> Response to climate change issues Energy-saving and highly efficient production Efficient use of resources/reduction of waste Reinforcement of the environmental management system Biodiversity conservation
<p>S (Society)</p> 	<p>Create an organizational culture where diverse human resources can work with motivation and thrive in a safe, secure environment.</p> <p>Human resources strategy</p> <p>Produce and sell quality products and contribute to the improvement of society.</p> <p>Product safety and quality</p> <p>Work with suppliers to help build a sustainable society.</p> <p>Sustainable procurement</p>	<ul style="list-style-type: none"> Respect for human rights and diversity & inclusion Human resource development and utilization Penetration of the Group’s philosophy, and creation of rewarding working environment Occupational safety and health/Health and productivity management Work style reform/work-life balance Product safety and quality management Supply chain management
<p>G (Governance)</p> 	<p>Build a foundation of corporate trust by ensuring transparency.</p> <p>Enhance governance.</p>	<ul style="list-style-type: none"> Improvement of corporate governance Thorough compliance and prevention of unfair competition and corruption Reinforcement of risk management and promotion of business continuity planning (BCP) Reinforcement of information security Appropriate information disclosure and stakeholder engagement

04

Cost of Capital and Shareholder Returns

- Policy
- Initiatives to exceed cost of capital
- Cash allocation
- Enhancing IR activities
- Returns to shareholders

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Analysis of current situation

Cost of equity: 5 to 7%

Calculation method:

Calculated using CAPM, risk-free rate (approx. 1.0%) + beta value × market risk premium (approx. 6.0%)

The risk-free rate is based on domestic long-term interest rates, and the beta value is calculated in-house.

ROE: 2.9% (FY2024 result)

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

PBR: 0.5 times (FY2024 result)

Policy

ROE: 8%

(FY2027 target)

PBR: 1.0 times

(FY2027 target)

Dividend payout ratio: 38%

(From FY2025)

ROIC: 8%

(FY2027 target)

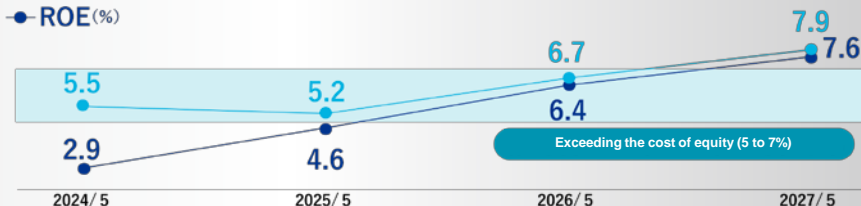
WACC: 4%

(FY2027 target)

Trends in ROIC/ROE

—●— ROIC (%)

—●— ROE (%)



Initiatives to exceed cost of capital

Initiatives to increase corporate value above cost of capital

Based on the premise of realizing value creation that exceeds market expectations, we will make thorough efforts to improve profitability and capital efficiency and utilize financial leverage, with the aim of achieving an ROE of 8% or more.

Initiatives to improve ROE

Improving profitability

Effective use of assets

Use of financial leverage

Improving profitability.

Reducing expenses.

Improve financial structure.

Optimization of inventory.

Utilization of fixed assets.

Utilization of internal reserves.

Increase profits in North and Central America.

Improve profitability of Interior Fittings business.

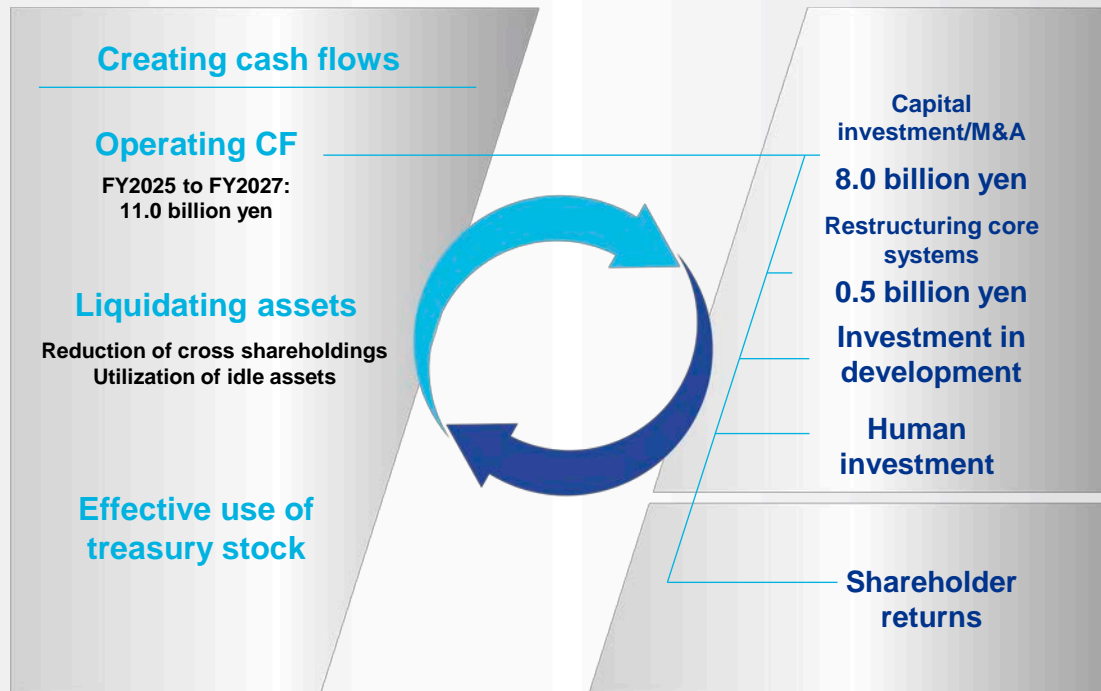
Adjust cash and deposits and borrowings to appropriate levels.

Management with inventory turnover.

Improving utilization rate of production facilities.

Returns to shareholders and investment in human capital.

Cash allocation



Further enhancing dissemination of information and dialogue

We will continue to proactively communicate IR-related information by updating the content of the Integrated Report and our website regarding our sustainability activities.

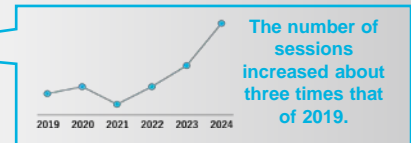
Also, by increasing opportunities to communicate with shareholders and investors, such as IR interviews and company information briefings, we aim to gain greater understanding of our Group and ensure transparency.

Enhancing communication through IR activities

- Increase the number of briefings for individual and institutional investors.
- Upgrade disclosure materials.
- Support for disclosure in English
- Actively communicate information using websites and social media.
- Increase recognition through PR activities.

Opportunities for dialogue with shareholders and investors

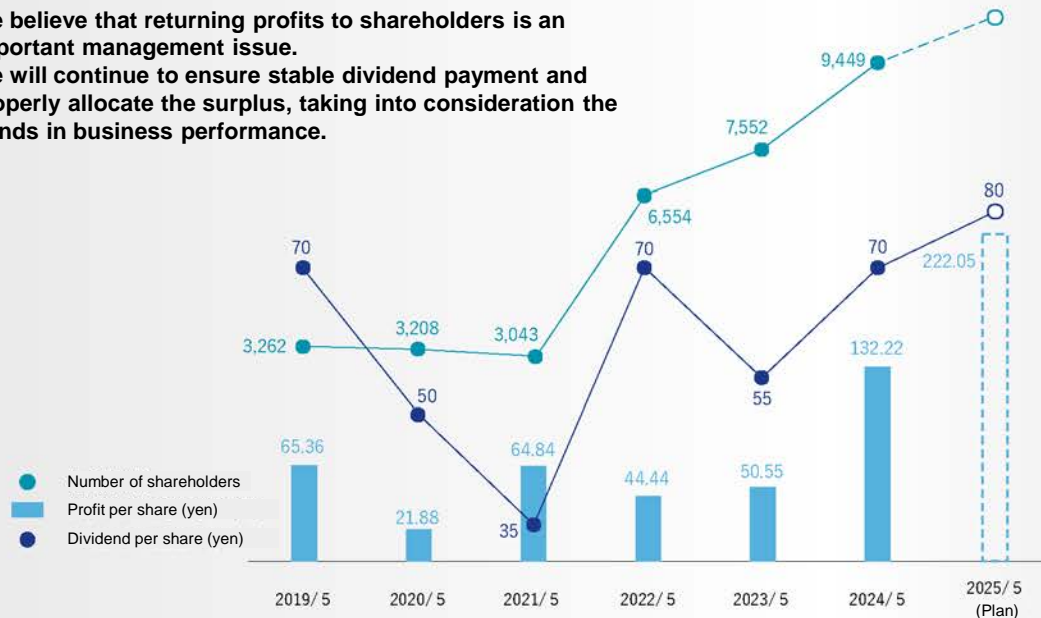
- Financial results briefings for institutional investors and analysts
- Small meetings
- One-on-one meetings
- Briefings for individual investors



Returns to shareholders

We believe that returning profits to shareholders is an important management issue.

We will continue to ensure stable dividend payment and properly allocate the surplus, taking into consideration the trends in business performance.



Number of shareholders	3,262	3,208	3,043	6,554	7,552	9,449	-
Profit per share (yen)	65.36	21.88	64.84	44.44	50.55	132.22	222.05
Dividend per share (yen)	70	50	35	70	55	70	80

Policy on shareholder returns

Stable shareholder returns

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

Continuous expansion of returns

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

Note on forward-looking statements

The forward-looking statements in this document regarding the Company's future plans, strategies, etc. are based on a reasonable judgment that is predictable at this point, and actual results may differ due to various factors in the future.