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SUMINOE GROUP Integrated Report 2023

Having marked the 140th anniversary of its founding, the SUMINOE GROUP will change for the better.

In 2023, the SUMINOE GROUP celebrated the 140th anniversary of its founding. We strive to set a “new comfort standard” in harmony with the times and the earth to create delightful lifestyles of the future. To this end, the Group will explore the following “4C” values.

Interior Fittings

Providing comfortable and functional interior products

Curtains | rugs and mats | carpets | wallpaper
sliding paper doors | arts and crafts textiles | doncho
(plush hand-woven carpets that separate a stage from the
auditorium) | dantsu (hand-woven carpets and hooked rugs)



Automotive Textiles

Adding higher value to automotive textiles

Ceiling materials | seat covering materials
car mats | floor carpets



Traffic Facilities

Supplying a total line of interior materials for public transportation facilities

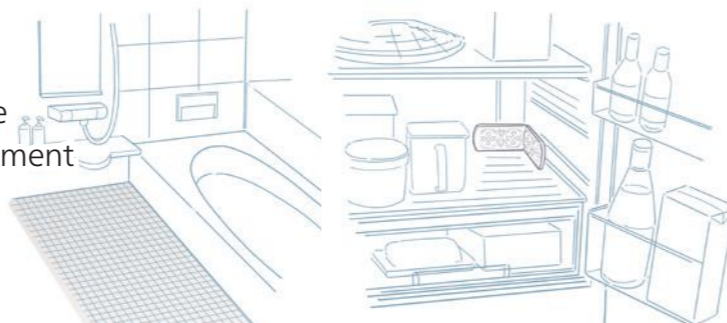
Seat covering materials | seat cushion materials
carpets | floor signage film | curtains



Functional Materials

Offering new functional products that are friendly to human health and the environment

Fabric-coated heating products | deodorizing filters
floor materials for bathrooms
interior materials for aircraft



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.

MISSION —Our mission to fulfill—

Bring people- and society-friendly spaces to the world through technology and ideas that closely support people's lives.

SPIRIT —Values we cherish (Company Motto)—

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

VALUE —Basic guidelines for business activities— SUMINOE “4C” Values

Challenge

Take on challenges for new business development based on our advanced technological capabilities and extensive customer base as an industry pioneer.

Create

Create new value by maximizing our unique technologies.

Customer

Identify new challenges for further development, leveraging our ability to sincerely cater to customers and our foresight.

Contribute

Continue to pursue manufacturing that is friendly to both people and the earth.

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.

The objective of publishing this Integrated Report is to inform a broad range of stakeholders of how the SUMINOE GROUP creates value in the medium and long term and what kind of initiatives the Group promotes to enhance its corporate value.

This report provides financial information, including management strategies to achieve sustainable growth as well as a business overview and the performance of the SUMINOE GROUP, and non-financial information on its specific sustainability and ESG initiatives. By disclosing such information in an integrated manner, this report aims to help stakeholders deepen their understanding of the Group.

Referenced Guidelines

ISO 26000 Guidance on Social Responsibility
 Guidance for Collaborative Value Creation, published by the Ministry of Economy, Trade and Industry (METI) of Japan
 International Integrated Reporting Framework, published by the International Integrated Reporting Council (IIRC)

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.

Period Covered

Fiscal year 2023 (From June 2022 to May 2023)
 (Some activities undertaken outside the above period are included.)

Information Disclosure System



Disclaimer about Forward-Looking Statements

Among all the current plans, strategies, and judgments that are included in this Report, those which are not historical facts represent our forecasts for future performances, etc. These are on the basis of assumptions and judgments based on information currently available for the SUMINOE GROUP and may thus contain risks and uncertain factors. Please be advised, therefore, that the Group’s business results that will be publicly announced in the future may differ significantly from the forecasts due to various factors.

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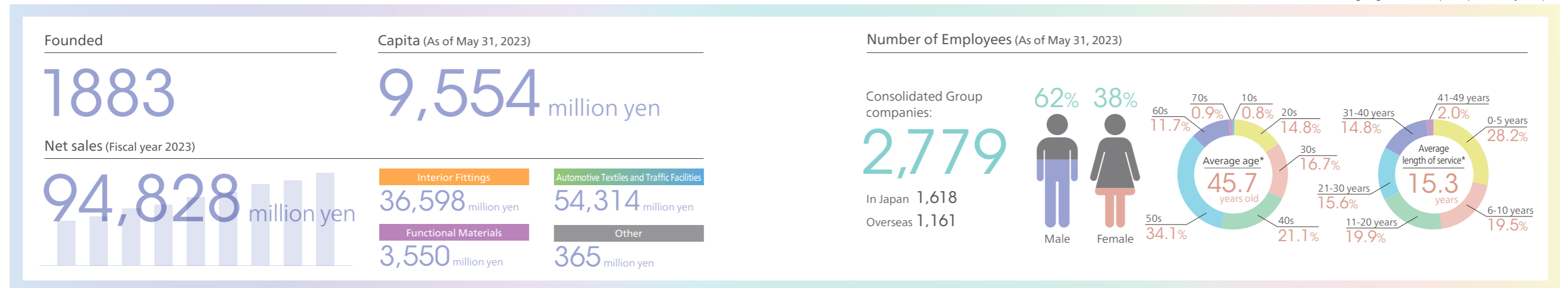
Supplementary Note

This Reports uses the “SUMINOE GROUP” when referring to our corporate group, in accord with its new Group Philosophy and the united Group logo, both of which were announced in June 2023.

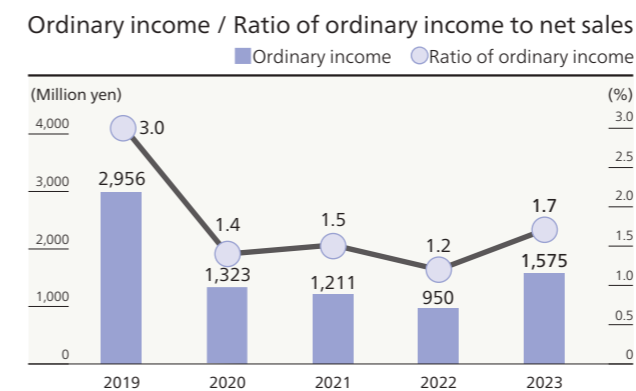
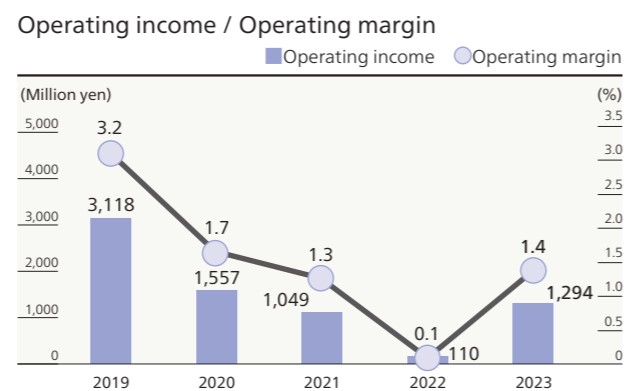
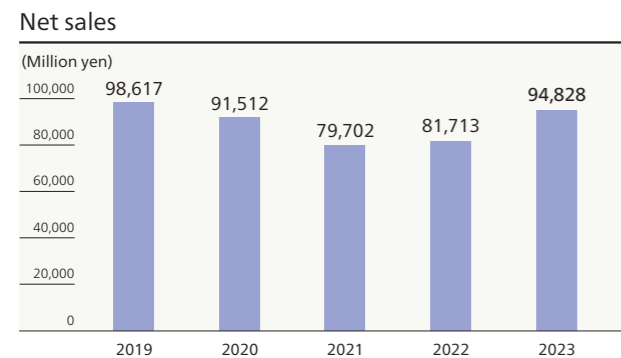
However, in some portions related to documents published in June 2023 and earlier, the “Suminoe Textile Group” is used as before.

This is an English translation of the release issued in Japanese. The figures for these financial statements are prepared in accordance with the accounting principles based on Japanese law.

* Average figures of Group companies only in Japan

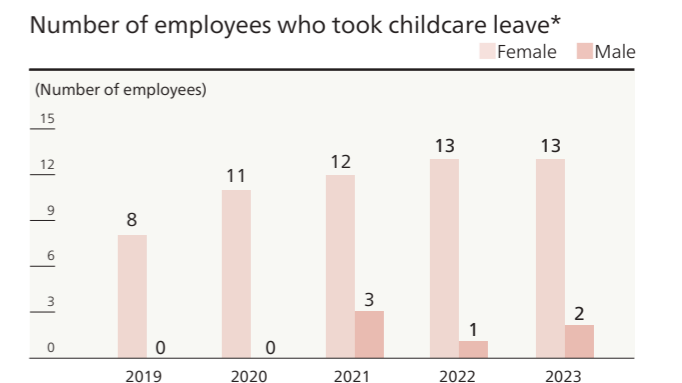
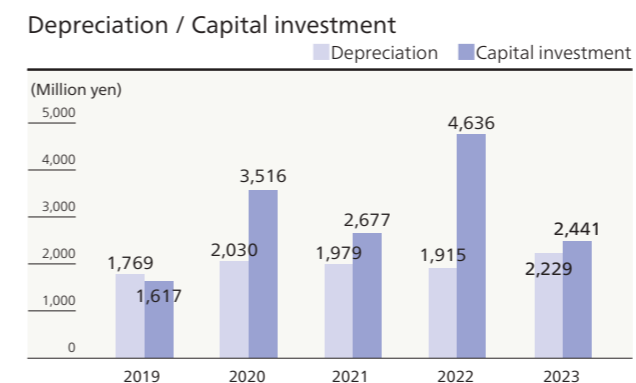
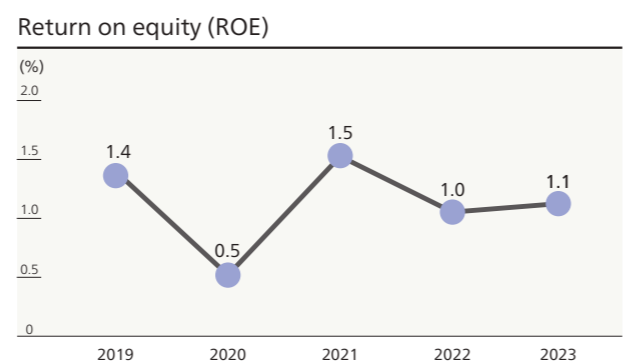
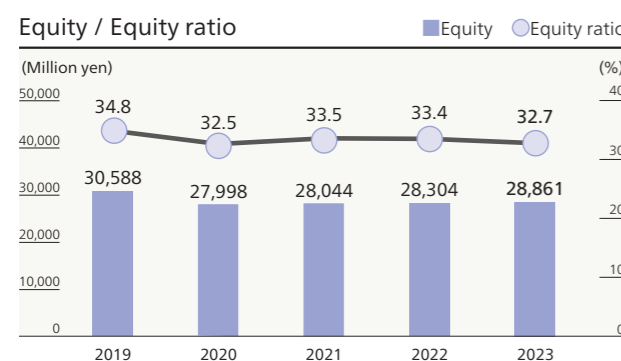
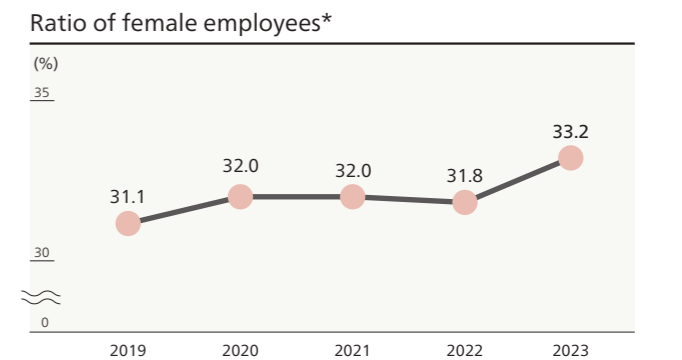
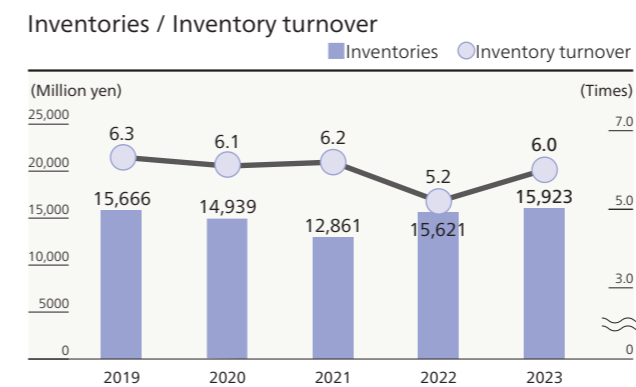
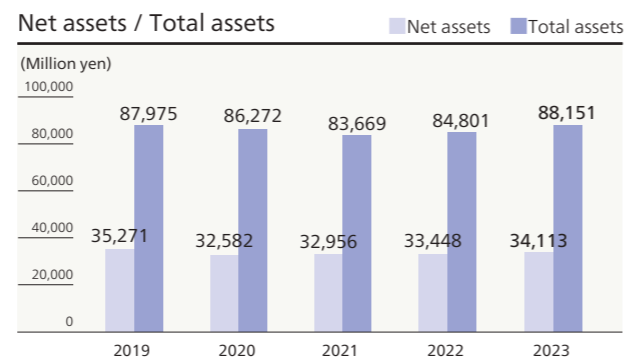
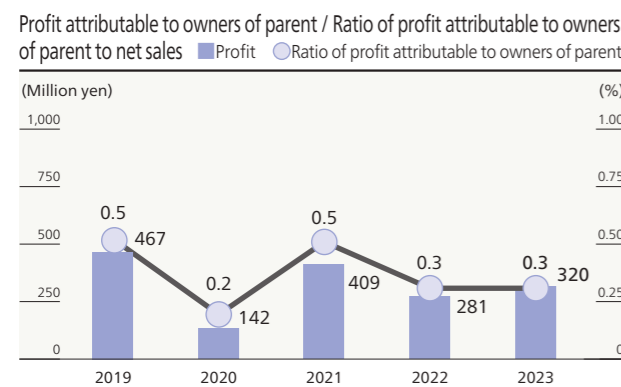
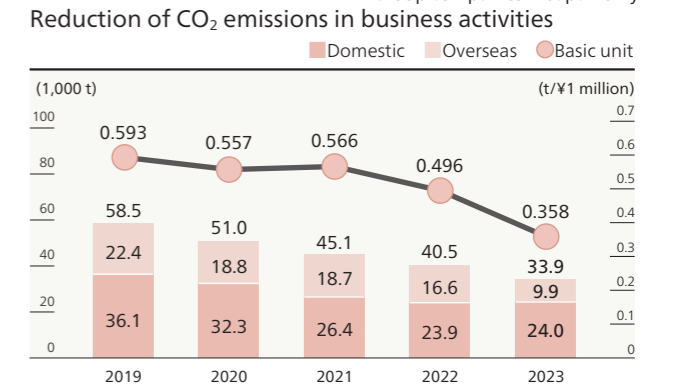


Financial Data (for each FY ended May 31)



Non-financial Data (for each FY ended May 31)

* Group companies in Japan only



Suminoe Textile was founded by rice dealer Denshichi Murata, who opened the Murata Factory in 1883 in Sumiyoshi Village, Higashinari-gun, Osaka Prefecture (now Sumiyoshi Ward, Osaka City).

This small factory in a private household was receiving orders for interiors for railway cars and ships, and even for the Imperial Diet Building, heralding the dawn of Japan's carpet industry.

1880s	1900s	1930s	1940s	1970s	1990s	2000s	2020s
Contribution to Japan's Modernization			Popularizing Interior Fabrics in Common Households		Offering One-of-a-Kind Products to Customers around the World		
Industrial Revolution in Japan	Taisho Democracy	World Depression World War II	High economic growth period	Period of increasing globalization Bubble economy Manifestation of environmental problems	Collapse of the bubble economy IT revolution	A declining birthrate and aging population	Novel coronavirus (COVID-19) pandemic
History of the SUMINOE GROUP							
1883 Murata Factory founded. Manufacture of handwoven carpets begins in Sumiyoshi, Osaka. 1892 The Company's first patent obtained for carpet weaving, "Yamato-ori."	1903 Sumiyoshi Factory with full-scale weaving facilities established. 1913 Suminoe Textile Joint-Stock Company established. 1916 Manufacture of carpets using power looms begins.	1930 Suminoe Textile Co., Ltd. established. 1937 Kawachi Factory established, where woolen spinning begins.	1949 Shares listed on the Tokyo, Osaka, and Kyoto stock exchanges. 1954 First to introduce to Japan a tufting carpet machine from the U.S.	1971 Nara Factory (now Nara Factory of Suminoe Techno Co., Ltd.) established, and Sumiyoshi Factory closed. 1987 Shiga Office established.	1994 T.C.H. Suminoe Co., Ltd., the Company's first overseas base, established as a joint venture in Thailand. 1998 Suminoe Textile Group "SUMINOE Environmental Declaration" and "KKR+A" announced.	2003 Suminoe Textile of America Corporation established in the U.S. 2005 SPM Automotive Textile Co., Ltd. established as a joint venture in China. 2009 Suminoe Teijin Techno Co., Ltd. established as a joint venture. 2013 Suminoe Techno Co., Ltd. established.	2020 Shares of CPO Co., Ltd. acquired. 2022 Shares of PRETERIOR-TEXTILE Inc. acquired Shares of Seki Textile Co., Ltd. acquired 2023 Group Philosophy as well as the Group's unified logo and tagline announced.


Value Offered by the Group

1891




Winning acclaim for Dantsu carpet-weaving techniques
 Winning acclaim for its manufacturing techniques, the Murata Factory supplied *Dantsu* hand-woven carpets to the Imperial Diet Building. We have continued to deliver the "red carpet" and other interior textiles for the present-day Diet Building.

1913



Mass production realized by using power looms
 The Company imported technology and power looms from Germany and the U.K., becoming the first in Japan to manufacture machine-woven moquette.

1957



Helping widespread use of carpets in general households
 Although carpets had usually been custom-made, high-end products, the Company released a ready-made carpet called "Tafton," which was affordably priced for ordinary households.

1971



Construction of a new pollution-free carpet factory
 When pollution problems attracted much attention, our Nara Factory was newly constructed. The factory was equipped with effluent treatment facilities in order to prevent leakage of hazardous substances discharged with wastewater.

1989



Development of a continuous fiber made from recycled polyester
 スミトロン® (SUMITRON), which uses polyester chips recycled from PET bottles as raw material by 50% or more, contributes to resource-saving.

2011



Development of recycled carpet tiles
 We established a framework for repeating the recycling cycle involving the same products for carpet tiles. These recycled carpet tiles became the first to be certified as Eco Mark products under new standards.

1899



Manufacture of Japan's first hand-woven moquette
 The Company received an order to manufacture the seat covers used in trains of Japan National Railways, which had conventionally used imported seat covers. We succeeded in producing and supplying hand-woven moquette as a seat covering for the first time in Japan.

1931



Participating in the automotive industry in its infancy
 Suminoe Textile supplied carpets and seat covering materials to automobiles assembled and manufactured in Japan for the U.S. automakers, Ford Motor Company and General Motors.

1968



Producing a 836 m² carpet by hand
 The Homeiden Imperial Palace building is a banquet hall, the largest of all the Imperial Palace halls. Suminoe Textile provided for this hall a hand-woven *dantsu* carpet of 836 m². Its manufacturing process required approximately 10,000 weavers, who spent as long as nine months to complete this masterpiece carpet.

1980



Production of Japan's first carpet tiles
 Suminoe Textile produced carpet tiles that can express mosaic patterns. It is easy to replace the damaged carpet tiles with new ones. With these advantages, these carpet tiles attracted much attention as an innovative product.

1998



Development of around-the-clock deodorizing treatment technology
 Suminoe Textile developed トリアルフレッシュ® (TRIPLE FRESH) treatment technology, which can deodorize and decompose substances that cause sick house syndrome and other malodorous substances that are generated daily in our environment on a 24-hour basis. This technology contributes to protection of people's health.

The past, the present and the future



Passing on traditional techniques to future generations
 While promoting business reforms, the SUMINOE GROUP maintains and cultivates hand-weaving techniques handed down in Japan's historical industry, thereby making cultural contribution.

Maximizing Synergies as the SUMINOE GROUP

Taking on Challenges to Enhance Our Corporate Value on a Global Scale



Teppei Nagata

President
Suminoe Textile Co., Ltd.

Raising the level of our true capabilities to turn external factors into opportunities

We have worked on the Medium- to Long-term Management Targets "SUMINOE GROUP WAY 2022-2024-2027" (hereinafter SGW). However, in terms of profits, we have not attained the targets originally set at the time of the SGW formation. This is attributable to the prolonged impact of the COVID-19 pandemic, the Ukraine crisis, a decrease in automobile production due to the shortage of semiconductors and other components, and other factors. Looking back to the situations in recent years, the SUMINOE GROUP's performance has tended to be significantly affected by external factors. Given the predicted emergence of various risks and the profound transformation in the automotive industry triggered by the Connected, Autonomous, Shared & Service, and Electric (CASE) revolution, I keenly realize that the Group should raise the level of its true capabilities. Specifically, it is necessary for us to grasp the negative impact of the external factors on our business as early as possible, while maximizing the positive impact by developing high value-added products, expanding sales networks and shifting our focus to the growth areas. Notably, the increasing production of electric vehicles in response to CASE provides us with a market expansion opportunity. Amid the major trend toward structural conversion in the automotive industry, the Group will be able to significantly expand its market share through an aggressive approach to automakers in overseas countries, which have a much higher rate of transition to electric vehicles than that of Japan. To this end, steady preparations are underway, including production upgrades in Mexico.

Such efforts to reliably raise the level of the Group's true capabilities and bolster its business competitiveness will enable us to attain the SGW targets of "consolidated net sales at 100 billion yen or more and of an operating margin at 5% or more." If we can achieve net sales of 100 billion yen and an operating margin of 5%, operating income will be 5 billion yen. Then, even if some changes occur due to external factors, we can deal with them through optimization of our management resources. We will first aim to attain this level and continue to work for performance improvement.

From Suminoe Textile Group to SUMINOE GROUP

As a result of our active pursuit of M&A, we have now grown into a corporate group comprising 30 companies in Japan and overseas. I believe that maximization of synergies across the Group will greatly contribute to raising the level of our true capabilities. To heighten the sense of oneness across the Group and to establish a system that allows us to generate greater synergies, in June 2023 we embarked on a new chapter as the "SUMINOE GROUP," which is used in place of the "Suminoe Textile Group." This change is intended to improve the global recognition of the Group and represents our enthusiasm for taking on challenges to create further innovation as an industry pioneer and to open up a new frontier. We have also formulated the Group Philosophy, which includes its MISSION

defined as "Bring people- and society-friendly spaces to the world through technology and ideas that closely support people's lives." We will work to enhance the corporate value of the SUMINOE GROUP, which strives to shape a better future by fostering innovation while cherishing our tradition of 140 years. Toward realizing our VISION "To set 'new comfort standard' in harmony with the times and the earth to create delightful lifestyles of the future," we will promote Group-wide efforts to grow as an "enterprise that is more willing to take on challenges than ever before." To this end, we place emphasis on developing awareness of all employees. The Group Philosophy mentioned above was worked out after a series of discussions mainly involving young and mid-level employees. These discussions were based on the results of surveys conducted as part of the Shin Mirai project, specifically, surveys of all Group employees and interviews with the President and officers. The Group implemented the "Tsunagu meetings," in which I myself participated, to directly exchange views with employees of various age groups, ranging from young to seasoned. Moreover, we launched "Tsunagu-wa-cation," an initiative to promote cooperation between departments and between Group companies to share technologies and ideas.

In the future, we will utilize in-house training and other opportunities to make the Group Philosophy known to every member of the Group in order to ensure that it will be reflected in goals of respective segments, departments and individual employees. At the same time, we will encourage exchanges transcending the boundaries of segments and companies, which will lead to various innovations.

Focusing on reinforcement of IR and efforts in "sowing the seeds" for the future, always being conscious of market capitalization

I became the President of Suminoe Textile Co., Ltd. in August 2021. Since it was immediately after the Company selected the Prime Market, I was tasked with implementation. Partly because the Company's share price declined to 1,461 yen, how we could increase market capitalization has been the most important business task for me since then. As of July 14, 2023, the share price has increased to 2,584 yen. However, this task is only half finished—assuming that the PBR (price book-value ratio) is 1, we need to increase market capitalization from the current 18 billion yen to the level of 30-40 billion yen. Even so, we have promoted initiatives step by step to enhance IR activities. As a result, we satisfied the standard for "average daily trading value" as of December 31, 2022, the calculation reference date, with only the criteria for "market capitalization of tradable shares" remaining unsatisfied. The Company is making constant efforts to improve the market capitalization of tradable shares, with the aim of meeting the Continued Listing Criteria by May 31, 2024.

I also feel that I was able to embody most of what I had in mind, in the past two years. The best example of them is the construction of a new synthetic leather factory in Mexico in the automotive textile business. Mexico is home to many assembly factories, particularly for car seats designed for North and Central America. As such, building a new production line there

is truly effective in reducing supply lead time. The Group is an unusual supplier in the world in that it can offer a total line of automotive textiles, such as ceiling materials, seat coverings, car mats and floor carpets. By taking great advantage of this feature, the Group aims to utilize the factory in Mexico to further expand the business in North and Central America.

In the Interior Fittings segment, we implemented strategies to expand the space design business through the acquisition of CPO Co., Ltd. and PRETERIOR-TEXTILE Inc. These strategies are producing steady results, with these two subsidiaries now accounting for more than 10% of sales in the Interior Fittings segment. In the Traffic Facilities Business, in July 2022 the Company acquired Seki Textile Co., Ltd. as a subsidiary so as to establish a more stable production system. We will capitalize on new market channels possessed by Seki Textile to increase sales and market share of the Group. In this manner, we have worked to “sow the seeds” for future growth in each business segment. Consequently, I feel that the Group was able to establish a system to embody a new tagline, “Bring innovation to all kinds of spaces,” which was developed along with our new logo.

Meanwhile, as the management leader, I have always been careful about closely communicating with officers and employees. To ensure routine communication with officers in particular, it is important to share information and exchange opinions with them not only at meetings of the Board of Directors and the Executive Committee but also on any other occasions. For example, I have discussed many times with Managing Director Maruyama, the General Manager of the Automotive Textiles Business, to work out the process of restoring the profitability of our subsidiary in the United States. The subsidiary is expected to turn into the black by the fiscal year ending May 2024. As to the measures for improving the financial structure, I share the same idea with Managing Director Usugi, the General Manager of the Administration Headquarters. Aiming at a D/E ratio of 0.5 times as one indicator, we will work to strengthen the financial structure.

Significant improvement in operating income in FY2023

We fell short of the targets set at the beginning of FY2023 because Japanese car manufacturers, our major customers, reduced automobile production from originally planned, and



for other reasons. However, net sales increased to 94,828 million yen and operating income also increased to 1,294 million yen, achieving a significant improvement in operating income from the previous fiscal year.

By segment, the Interior Fittings segment posted growth in both sales and income, mainly thanks to a large order for products adopted by building redevelopment projects, mainly in the Tokyo metropolitan area. Also, CPO Co., Ltd., which is engaged in designing various retail stores, and PRETERIOR-TEXTILE Inc., which sells interior products, generated synergy effects together with our existing businesses. Moreover, our comprehensive proposals for interior materials and furniture were adopted by large stores, representing the first step toward market penetration.

In the Automotive Textiles and Traffic Facilities segment, as part of our business structure reforms, we strengthened coordination between our Mexican subsidiary and North American subsidiary. Now the US subsidiary's returning to profitability has come within sight. In addition, the Group was able to establish a foothold for expanding the market in the United States.

In the Functional Materials segment, we completed the consolidation of factories in China and Vietnam into a single manufacturing site. Starting from FY2023, the factory in Vietnam has been operating at full production. As just described, we made advancement in building an optimal supply system.

Progress in efforts toward the Medium- to Long-term Management Targets and forecast of financial results for FY2024

We have steadily carried out initiatives specified under the SGW. Particularly with regard to “Reduce CO₂ emissions, and develop and distribute products for environmental measures,” we launched ECOS NEO™, which features enhanced environmental performance. In addition, efforts are being made to increase sales of ECONIX, a car seat covering material that uses スミトロン® (SUMITRON) polyester yarn made from recycled PET bottles. The Group will continue to contribute to reducing CO₂ emissions through its environmentally friendly products. We will also strive to reduce environmental impact by curbing CO₂ emissions from the SUMINOE GROUP's business operations.

In order to “Improve work efficiency using core systems,” as the first step, Suminoe Textile Co., Ltd. introduced systems for receivables/payables management, general accounting and production management. These systems help speed up management decision-making and improve inventory management accuracy through integrated management. Furthermore, these systems will enable us to swiftly respond to environmental changes in the future. In FY2024, we will expand the application of these systems to subsidiaries, as the second step.

As mentioned earlier, the economy has been recovering at a gradual pace, as represented by a slower-than-expected recovery in car production by Japanese automakers. For this reason, for FY2024, the figures for profit targets in the plan set

at the beginning of the fiscal year are lower than those in the plan set at the time of SGW formulation. On the other hand, we began to see the early results of our efforts in “sowing the seeds” for the future, such as increasing synthetic leather production in Mexico, strengthening coordination with the US subsidiary, and expanding the space design business in the Interior Fittings segment. We therefore plan to post net sales of 99,000 million yen and operating income of 2,600 million yen, expecting both sales and income growth as compared to FY2023.

Reinforcing initiatives to address sustainability issues

To show the Company's attitudes towards sustainability issues and strengthen initiatives for sustainability, we formulated the Basic Policy on Sustainability and Related Policies in June 2022, as well as the SUMINOE GROUP Human Rights Policy in June 2023. We are also planning to establish the Guidelines for Sustainable Procurement in January 2024. As for human rights, we work to implement human rights due diligence, which will help prevent and mitigate the negative impact of the Company's business activities on human rights. To promote sustainable procurement, which should be undertaken throughout the supply chain, preparations are currently under way to formulate the Group's procurement policy and supplier code of conduct.

With regard to environmental initiatives, since the announcement of “KKR+A (Kenko [Health], Kankyo [Environment], Recycling and Amenity)” in 1998, the SUMINOE GROUP has been actively engaged in environmental conservation activities, such as interior environment improvement and utilization of recycled materials as well as decreasing our impact on the environment. In April 2022, the “Second SUMINOE Environmental Declaration – Under the Slogan of KKR+A” was formulated. The Group also aims to reduce CO₂ emissions by FY2031 by 35% from the levels of FY2014. To achieve this target, steady efforts are being made through such measures as energy conversion and the introduction of photovoltaic power generation systems into the Company's Nara Factory and a subsidiary in Thailand. As for environmentally friendly products, we strive to enhance their environmental performance and expand the product lineups, aiming to expand sales in the global market. Meanwhile, in support of the TCFD recommendations, in June 2023 we introduced a cloud service to calculate Scope 3 greenhouse gas emissions, in addition to Scope 1 and 2 emissions. In the initial phase, we calculated GHG emissions from six major Group companies in Japan. In 2026, we will be able to calculate roughly overall emissions. Based on the results, we will discuss specific measures and disclose information.

As part of further efforts regarding human capital, we re-established the Group Philosophy and defined the ideal employee profile for Suminoe Textile Co., Ltd. The Company supports the three elements that constitute the profile—“autonomy,” “challenging spirit” and “co-creation,” and strives to establish a work environment where employees can exhibit their abilities to the fullest. In June 2023, the Company



introduced a “career self-declaration system” to promote personnel transfers and other measures for human resource activation, aiming to strengthen human capital, which constitutes a foundation for business growth.

In terms of governance, we promote initiatives to ensure the effectiveness of the Board of Directors. In 2023, a survey and analysis were conducted by a third-party organ, and the results were reported to the Board of Directors. In the future, the Company plans to select priority issues to be addressed and formulate a policy for responding to these issues. Since it is important to utilize valuable opinions of stakeholders inside and outside the Company for its business management, we will incorporate objective viewpoints of Outside Directors when discerning risks and opportunities for the Company's businesses, thereby reinforcing its governance system.

Carving out a new era while always being a pioneer of the industry

We will continue to promote various initiatives, with the greatest focus on considering how we can raise the level of performance and increase the operating margin. I believe that one of the keys to success is held by the Company's three wholly owned subsidiaries in North and Central America. Now that a new factory of our Mexican subsidiary has started full-scale operation, we will further intensify our efforts to firmly gain market share in North and Central America in order to improve corporate value. In parallel, toward business expansion, we will foster global human resources while striving to improve the financial structure and build up the systems and foundation that enable us to demonstrate our presence in the global market. Based on the findings and results obtained in North and Central America, we hope to eventually advance our business into Europe in earnest. To this end, discussions will be held as to preparations for “sowing the seeds” to realize this hope.

I myself will clearly show employees the future direction to go and themes to be addressed and will actively engage in awareness-raising activities to encourage employees to willingly take on challenges and foster motivated employees. Without being self-complacent about its history of 140 years, the SUMINOE GROUP will always maintain a pioneering spirit and strive to carve out a new era.

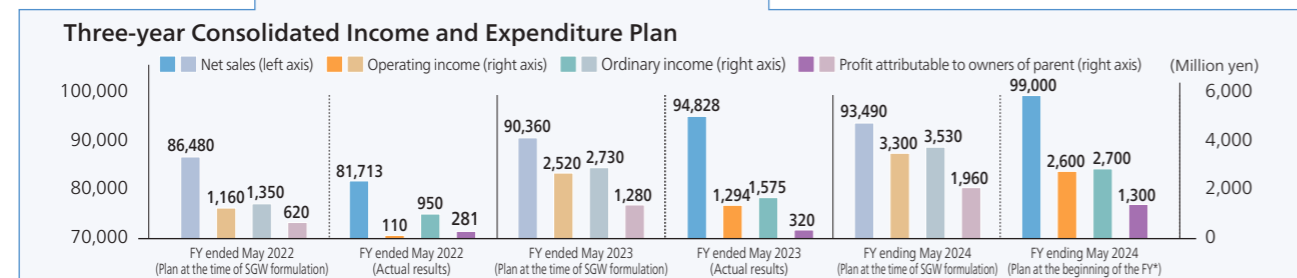
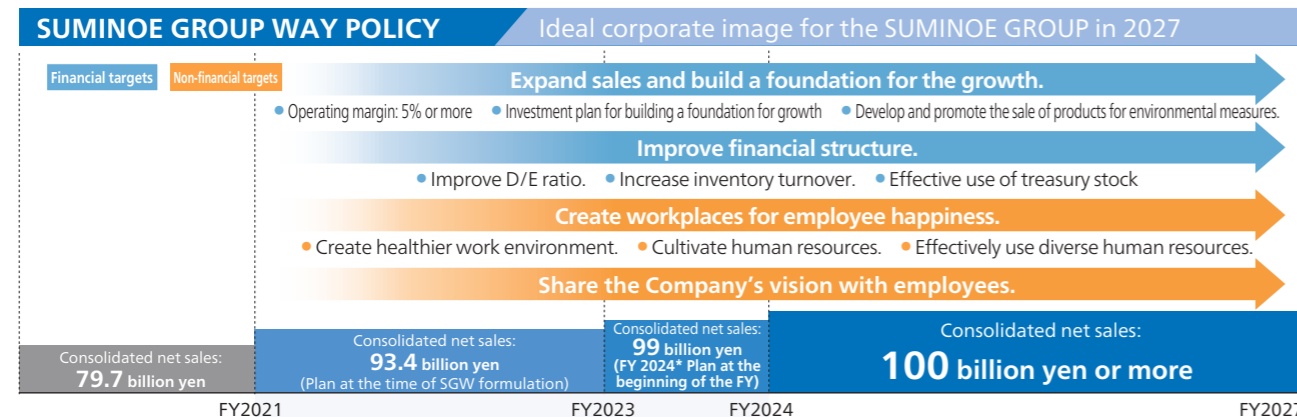
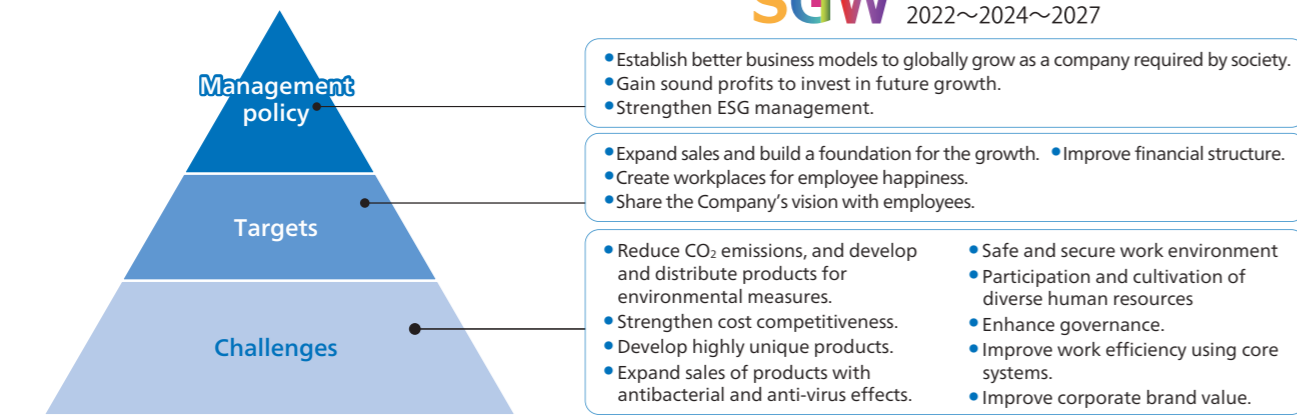
November 2023

President
Suminoe Textile Co., Ltd. 永田鉄平
Tepei Nagata

We have identified the “ideal corporate image” for the SUMINOE GROUP in 2027. To realize the image, the Group has been implementing initiatives in line with its policy.

Now two years have passed since we started to work on the Medium- to Long-term Management Targets “SUMINOE GROUP WAY 2022-2024-2027,” (hereinafter SGW). The SGW defines the ideal corporate image for the Group in 2027 as the state where the following targets have been accomplished: 1) expand sales and build a foundation for the growth; 2) improve financial structure; 3) create workplaces for employee happiness; and 4) share the Company’s vision with employees. All employees of the Group companies are joining forces to achieve these targets by increasing sales of products that meet social needs and by promoting global management, based on the ESG management that the Group has focused on to date.

SGW SUMINOE GROUP WAY 2022~2024~2027



Major Numerical Targets and Results by Business Segment (Million yen)

	Actual results FY ended May 2021	Three-year Consolidated Income and Expenditure Plan (Fiscal years ending May 2022 to 2024)						
		FY ended May 2022		FY ended May 2023		FY ended May 2024		
		Plan at the time of SGW formulation	Actual results	Plan at the time of SGW formulation	Actual results	Plan at the time of SGW formulation	Plan at the beginning of the FY*	
Interior Fittings	Net sales	31,024	33,750	32,811	34,430	36,598	35,120	36,640
	Segment income	579	400	911	450	977	520	1,070
Automotive Textiles and Traffic Facilities	Net sales	45,102	48,980	45,005	51,910	54,314	54,170	58,800
	Segment income	2,102	2,800	1,127	3,590	2,230	4,170	3,630
Functional Materials	Net sales	3,130	3,410	3,548	3,680	3,550	3,840	3,200
	Segment income	-87	-140	-192	150	90	190	-30

Initiatives to address challenges and results: Improve corporate brand value

The Group has strengthened its initiative to “improve corporate brand” as one of the SGW challenges.

Formulation of the Group Philosophy

The SUMINOE GROUP has selected corporate branding as a priority challenge to focus on during the SGW target period. In undertaking initiatives to improve corporate brand value, we recognized anew the necessity for considering this challenge from a long-term perspective, including the period after the target period. To begin with, we revisited the reason for the existence of the Group and the value that it offers to stakeholders.

We then launched the “Shin Mirai (lit. new future) Project” (see p. 49) in July 2022 and identified the strengths of the Group and the value it provides. At the same time, we established a new Group Philosophy: VISION (the future we aim for), MISSION (our mission to fulfill), and VALUE (basic guidelines for business activities) (see p. 3).

Objective of SUMINOE GROUP branding—for long-term corporate value improvement—

We aim to improve the corporate value of the entire Group on a long-term basis, thereby ensuring that the Group is chosen by stakeholders who feel empathy with us. To this end, we are aware that we must enhance our brand power by strongly disseminating the meaning of the Company’s existence.

The Group Philosophy mentioned above was stipulated based on the concept that it is necessary not only for the SGW initiatives but also for long-term improvement of corporate value.

We believe that if we can achieve the ideal corporate image for the SUMINOE GROUP in 2027, then we will be able to “create delightful lifestyles of the future” as an enterprise that “brings people- and society-friendly spaces to the world through technology and ideas that closely support people’s lives,” as stated in the Group Philosophy.

To realize the Group Philosophy, we will continue Group-wide efforts to accomplish the SGW and conduct business activities toward achieving sustainable corporate growth and employee happiness.

IR and PR activities

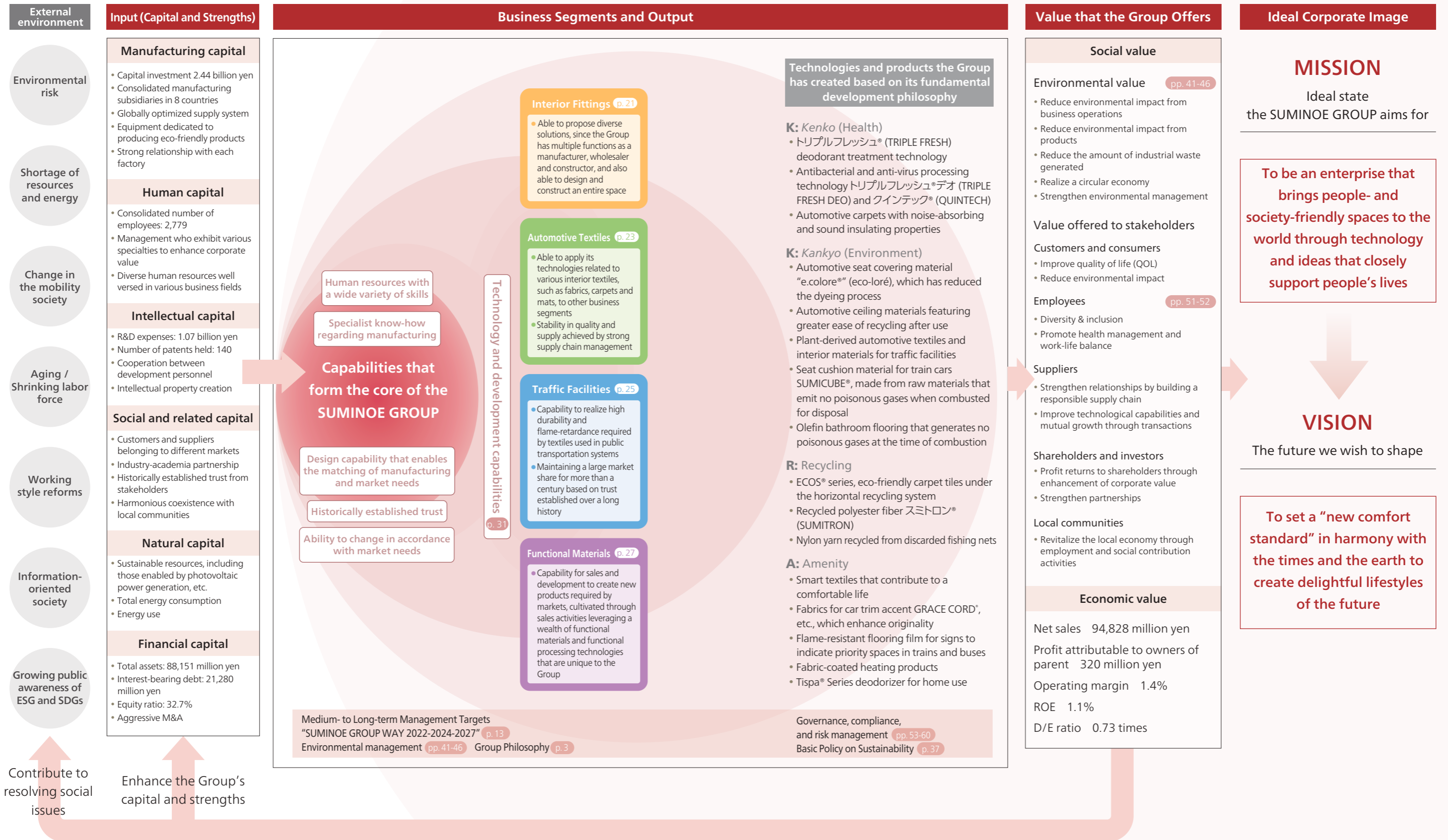
We are enhancing IR and PR activities for stakeholders to develop their deeper understanding of, and empathy with, our philosophy and businesses.

IR and PR activities in FY ended May 2023

Publishing sponsored reports to provide information on a neutral ground	Since the fiscal year ended May 2022, we have continuously published analyst reports, using the service of Shared Research Inc.
For institutional investors: Holding financial results briefings and increasing one-on-one meetings	The Group has conventionally held financial results briefings for analysts and institutional investors twice a year at the interim and the end of the year. We are also willing to meet their requests for one-on-one meetings with them.
For individual investors: Holding online IR briefings	To raise the level of name recognition and public understanding of the Group, we held online briefings for individual investors. We will continue to periodically organize such briefings while considering various methods to help them better recognize and then understand the Group, which will eventually lead to gaining their empathy with us.
Media advertisement	We placed an advertisement in the nationwide morning edition of the Nikkei newspaper on Thursday, February 16, 2023, to publicize the SUMINOE GROUP’s environmental awareness. The Group implements advertising activities not only through newspapers but also other media that are suitable for the target audience.
Response to media coverage	The Group willingly responds to coverage by newspapers, magazines, web media, etc.

Value Creation Model

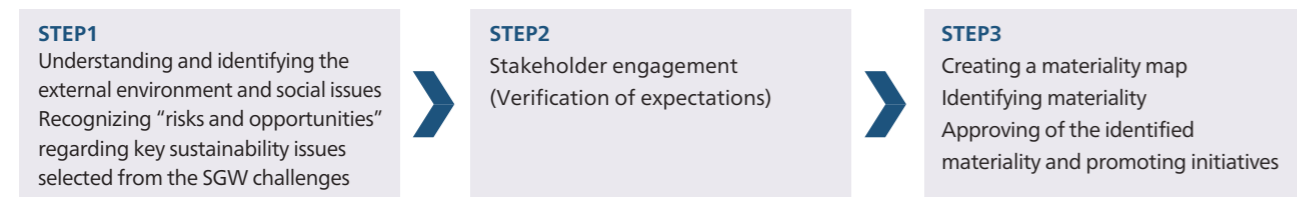
Based on its Group Philosophy, the SUMINOE GROUP will create value that contributes to society, thereby helping realize a sustainable society and enhancing our corporate value.



Identifying materiality based on key sustainability issues selected from the SGW challenges

In the course of formulating the Medium- to Long-term Management Targets "SUMINOE GROUP WAY 2022-2024-2027" (hereinafter SGW), the SUMINOE GROUP identified its nine key challenges, taking into account the priority issues specified under the Medium-term CSR Plan, while referencing international standards regarding social responsibilities and sustainability. Amid the increasing importance of sustainability, we are going to identify materiality as an extension of the key sustainability issues selected from the SGW challenges. In accordance with the Basic Policy on Sustainability, the Group will identify its materiality based on the results of interviews with and surveys of stakeholders both inside and outside the Company.

Materiality identification process

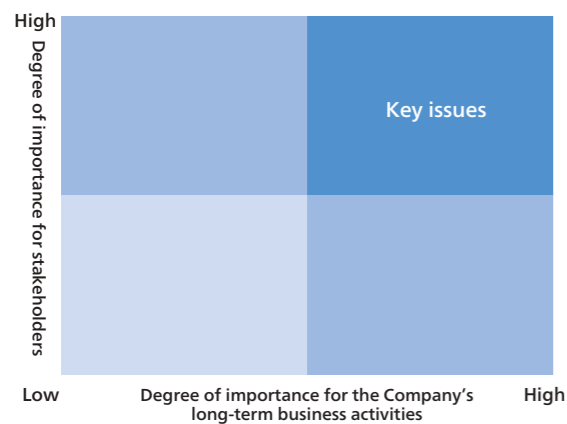


As of the end of September 2023, we had finished Step 1 (see p. 18).

Procedures and organization

Procedures	Descriptions	Members in charge of materiality identification*	Experts	Directors and Officers	Executive Committee	CSR Promotion Committee
STEP1	Understanding and identifying the external environment and social issues ● Grasp social issues based on the international standards regarding social responsibilities and sustainability indicators (reference indicators: ISO 26000, GRI Standards, etc.).				○	○
	Recognizing "risks and opportunities" regarding key sustainability issues selected from the SGW challenges ● Extract and summarize risks and opportunities that have significant impact on management strategies, in light of the SUMINOE GROUP Philosophy.				○	○
STEP2	Stakeholder engagement (verification of expectations) ● Extract and summarize risks and opportunities that have significant impact on management strategies. Stakeholders refer to employees, labor unions, customers, suppliers, investors, banks, etc.	○	○	○	○	○
STEP3	Creating a materiality map ● Evaluate the importance of the issues based on the two axes: Importance for the Company's long-term business activities and importance for stakeholders. (Global indicators, business segment reports, investor expectations, etc.)	○	○			○
	Identifying materiality ● Prioritize the importance of each evaluated issue so as to identify materiality. Also draw up plans for measures and indexes to be used in each material issue.	○		○	○	○
	Approving of the identified materiality and promoting initiatives ● Approve of the materiality after its validity has been verified in light of management strategies, at meetings of the Executive Committee and the Board of Directors.	○		○	○	○

* These members comprise representatives of Headquarters & Administration Headquarters—mainly the CSR Promotion Department, the Corporate Planning Department, the Personnel Department and the Finance and Accounting Division—and division managers of respective business headquarters.



Activities in FY2023

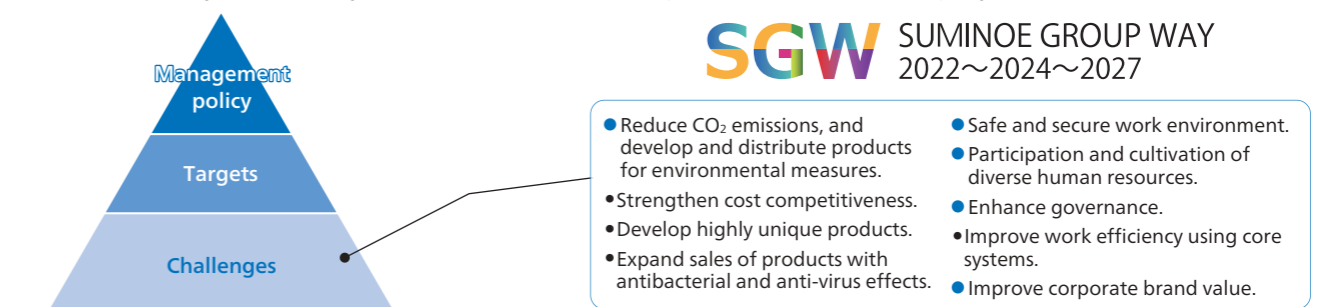
Identification of key sustainability issues from the SGW challenges and recognition of "risks and opportunities"

Since January 2023, the CSR Promotion Department has collected information on the identification of materiality. It held two workshops on materiality identification in February and May, 2023. With outside experts invited as instructors, these workshops were organized for participants from the Corporate Planning Department, the Finance and Accounting Division, and the Personnel Department.

The CSR Promotion Committee confirmed that the Company made appropriate responses to the risks and utilized the opportunities regarding the five key sustainability issues that had been selected from the nine SGW challenges in our business activities.

Key sustainability issues selected from the SGW challenges (5 issues marked with a ●)

We identified key sustainability issues that were deemed important for both the Company and stakeholders.



Changes to note in the external environment	Key sustainability issues selected from the SGW challenges	Recognition of "risks and opportunities" ● Risks ○ Opportunities
E Related to the environment Climate change Recycling-oriented society	● Reduction of CO ₂ emissions, and development and distribution of products for environmental measures	● Risks of business damage caused by natural disasters ● Increase in costs by observing environmental regulations ● Environmental destruction and impact that may arise during production processes and waste generation ○ Establishment of business strategies through reduction of CO ₂ emissions ○ Growing need for technologies that facilitate efficient utilization and reuse of resources, and expansion of related markets
S Related to social issues Decrease in working population Diversification of working styles Visibility of human capital Increasing awareness of human rights	● Safe and secure work environment	● Occurrence of occupational accidents caused by an inadequacy of occupational health and safety measures ○ Creation of a safety culture
	● Participation and cultivation of diverse human resources	● Labor shortage due to changes in Japan's demographic structure ● Talent drain because of inability to meet diverse needs ● Confusion in the supply chain due to a lack of human rights governance ○ Expansion of opportunities for diverse human resources to display their capabilities ○ Productivity improvement through implementation of working style reforms and health management, and creation of innovations through motivation enhancement ○ Corporate activities based on human rights policy in conformity with international norms
Increasing expectations for the value of the Company's existence for society	● Improvement of corporate brand value	● Loss of social credibility due to the pursuit of profit only for the Company ○ Empathy from stakeholders ○ Behavioral changes of management and employees ○ Fostering of a challenging spirit
G Related to governance Changes in laws and regulations Increased compliance awareness	● Enhancement of governance	● Loss of credibility due to the occurrence of scandals resulting from malfunction of governance and internal control ● Threat of cyber security ● Delay in compliance with laws and regulations ○ Improving credibility of management by securing appropriate business activities thanks to properly functioning governance ○ Decision-making transparency

* Results of initiatives in FY2023 (pp. 39-40)

Tasks in FY2024

We will implement the procedures of Step 2 and Step 3.

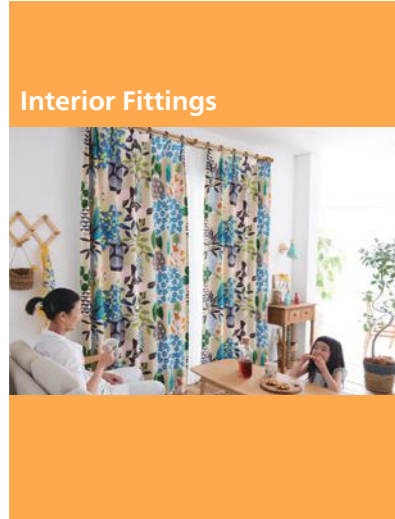
Focusing on "individuality" such as business model continuity, we will proceed with the identification of materiality unique to the Group.

Overview of business results for FY ended May 2023

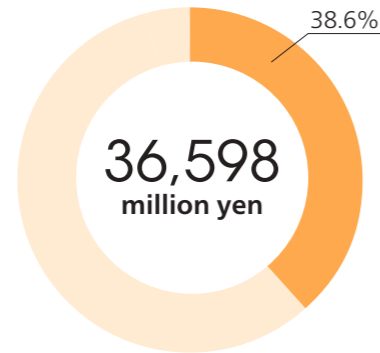
Net sales and percentage to total

Trends in business results

(For each FY ended May 31)

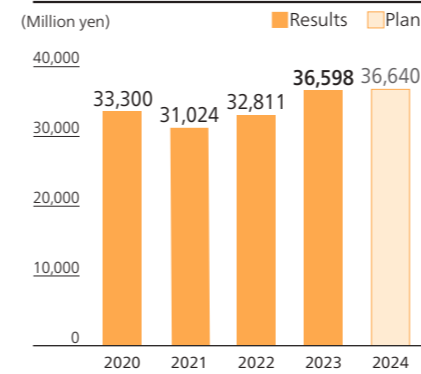


Interior Fittings

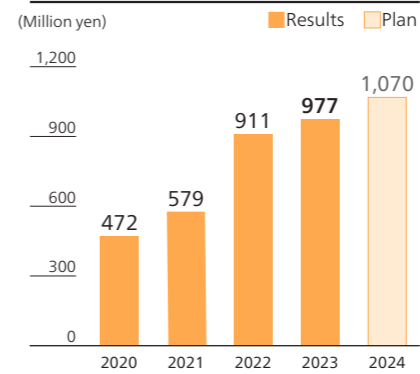


Although sales of household carpets were affected by a reactionary decline after the high demand during the COVID-19 pandemic, sales of commercial carpets increased thanks to a large order intake. Total net sales in the Interior Fittings segment increased also because of the contribution from sales of the space design business due to the adoption of comprehensive proposals for interior materials and furniture. Sales of wall coverings also remained firm owing to the effect of price revisions and other factors.

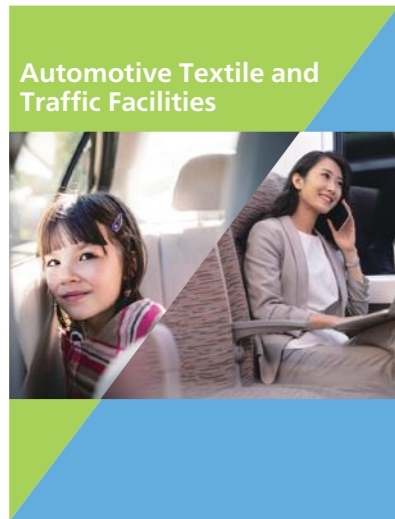
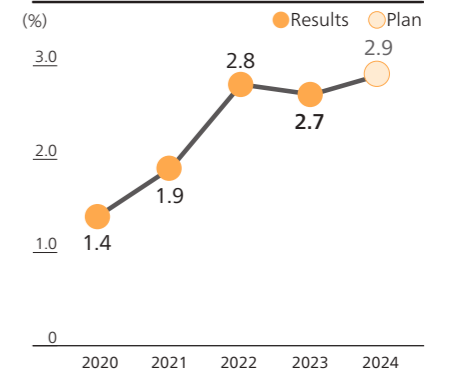
Net sales



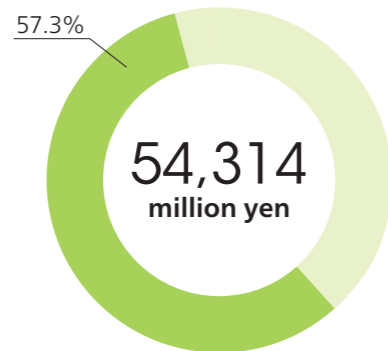
Segment income



Ratio of segment income

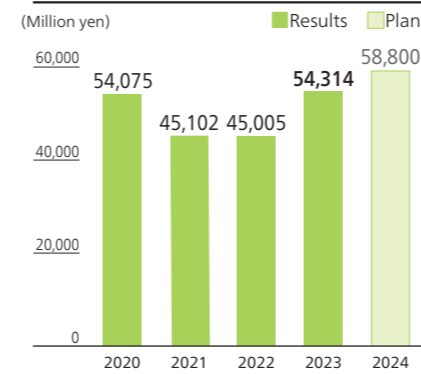


Automotive Textile and Traffic Facilities

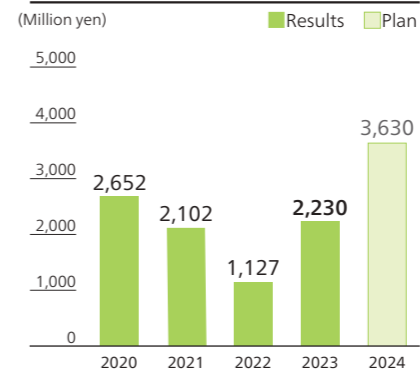


Automotive-related sales increased, backed by a recovery in domestic automobile production in addition to the favorable impact of foreign exchange rates. The traffic facilities business saw a rebound in demand for products for railway refurbishing works as well as interior textiles for buses. Segment income increased, reflecting the gradual spread of transactions at reasonable prices as well as the business structural reform at the Company's subsidiary in the United States.

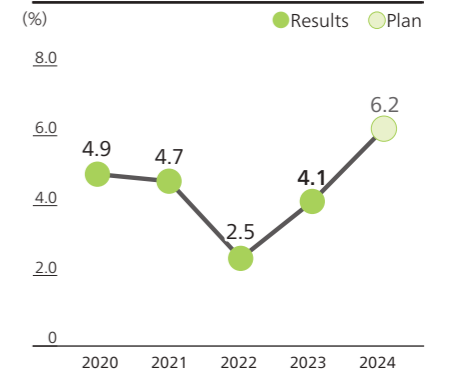
Net sales



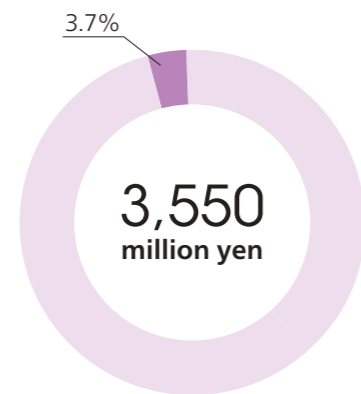
Segment income



Ratio of segment income

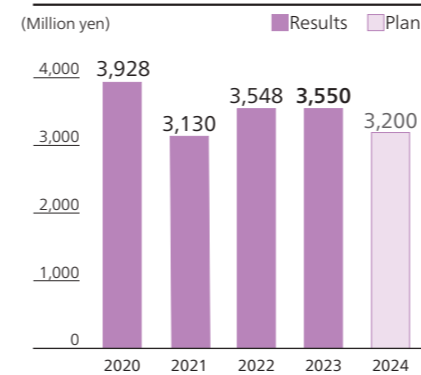


Functional Materials

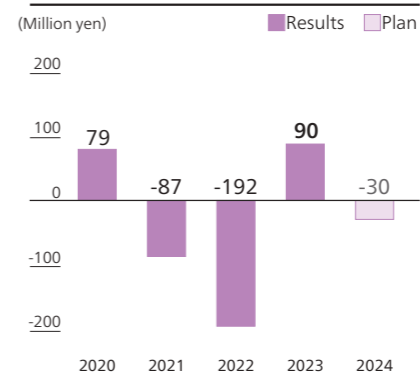


Sales of fabric-coated heating products increased because of price revisions to cover higher raw material prices and surging import costs, despite a decrease in new orders. Orders for floor materials for bathrooms also remained steady. Other contributing factors to the increase in segment income include the completion of the consolidation of factories in China and Vietnam in the previous fiscal year.

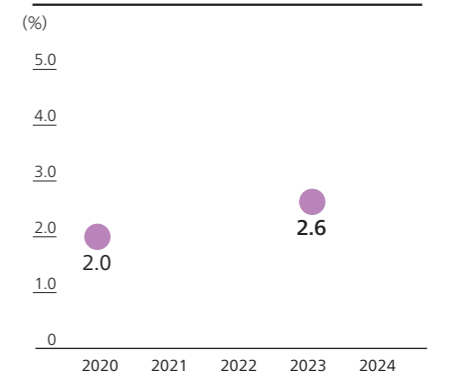
Net sales



Segment income



Ratio of segment income



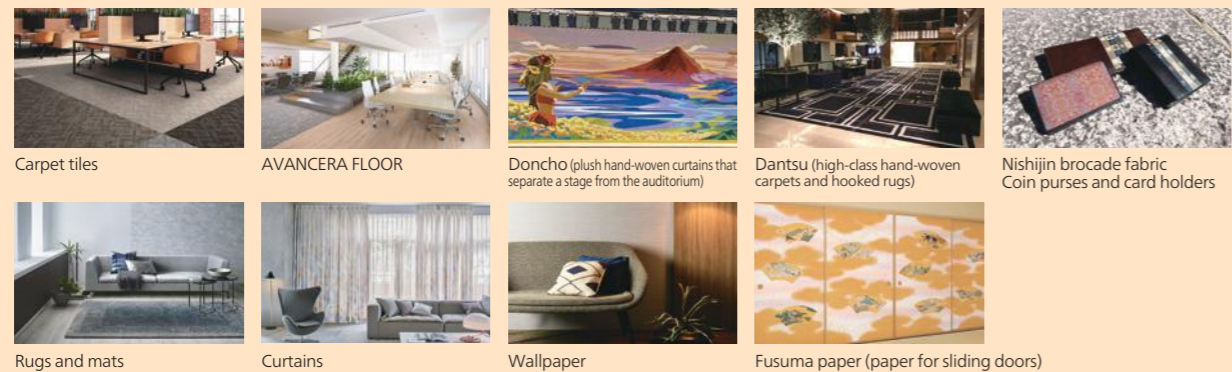
* The above data for the fiscal year ending May 2024 are the forecast figures for consolidated financial results that were disclosed on July 14, 2023.

Interior Fittings

Business Details

Wholesale of interior textiles for commercial use (in Japan and overseas), interior finishing work (curtains, carpets, wallpaper, plush hand-woven curtains, hand-woven carpets and hooked rugs, etc.), wholesale of household interior textile products, EC business, store design and construction (Space Design Business), sales of curtains and other optional items, and production and sales of arts and crafts

Major Products



SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> The appeal of eco-friendly products cultivated through many years of our efforts to address environmental issues Sales capabilities taking advantage of the Group's multiple functions as a manufacturer, wholesaler, and constructor System covering from designing of the entire space to final delivery Capabilities for manufacture and development of traditional craftwork based on techniques refined for many years Product development and sales capabilities through cooperation with other segments 	<ul style="list-style-type: none"> Low brand awareness due to insufficient public relations Decreased demand for roll carpets, one of the mainstay products of this segment Disadvantageous location and limited accessibility of local showrooms Inefficient logistics because of the fact that wallpaper and interior products are handled by different management systems at different operation bases
Opportunities	Threats
<ul style="list-style-type: none"> Increased demand for carpet tiles due to the addition of "disclosure of CO₂ emissions" to evaluation criteria for carpet tile procurement under the Act on Promoting Green Purchasing Growing interest in interior materials due to lifestyle changes Increased demand in overseas markets after the removal of restrictions on overseas travel Improved evaluation of Japanese textiles of traditional arts and crafts due to consumer preference for high-end products 	<ul style="list-style-type: none"> Reduction in the interior market scale due to the decreased number of new housing starts, etc. Soaring prices of raw materials such as crude oil, and rising energy and logistics costs Unstable supply of raw materials due to fewer supply chains Shortage of certified skilled workers due to aging and decreased demand Rising transportation expenses due to a shortage of transportation drivers

Companies Engaged in the Business

Suminoe Textile Co., Ltd., SUMINOE Co., Ltd., RUNON CO., LTD., Suminoe Logistics Co., Ltd., TANGO TEXTILE Co., Ltd., Suminoe Works Co., Ltd., Sewing Hyogo Co., Ltd., CPO Co., Ltd., PRETERIOR-TEXTILE Inc., Kyoto Traditional Art and Craft Factory of Suminoe Textile Co., Ltd., Suminoe Techno Co., Ltd.

SGW SUMINOE GROUP WAY 2022~2024~2027 Strategies and Measures and Progress Assessment for FY Ended May 2023

Strategies and measures	Progress	Strategies and measures	Progress
Expand lineups of environmentally friendly products and increase sales of these products.	○	Reduce inventory levels.	○
Commercialize and launch anti-virus wallpapers.	○	Strengthen directly operated EC business.	○
Enhance transmission and penetration of our brand image.	○	Simplify delivery.	×
Develop new products for housing.	△	—	—

Review and Future Prospects by the Officer in Charge

Against the backdrop of the economic recovery trend, we achieved both sales and profit growth in FY2023. We will strengthen the space design business.

Norihisa Murase
Director
Division Manager
Interior Textile Business Headquarters



Review of FY Ended May 2023 (Results and Future Challenges)

In fiscal year ended May 2023, the Interior Fittings segment achieved both sales and profit growth. This was due primarily to a large order for products adopted by building redevelopment projects, mainly in the Tokyo metropolitan area, and renovations of accommodation facilities that were resumed in response to the recovery in demand from inbound tourists. The profit growth is attributable to solid performance of RUNON CO., LTD., a subsidiary that handles wall coverings, which made a revision of product prices in FY2022 because of soaring raw material costs. In the space design business, CPO Co., Ltd., which is engaged in designing various retail stores, and PRETERIOR-TEXTILE Inc., which sells

interior products, generated synergy effects together with our existing businesses. Our comprehensive proposals for interior materials and furniture were adopted by large stores, representing the first step toward market penetration.

As for products, encouraged by further growing environmental awareness, both sales quantity and market recognition of ECOS®, eco-friendly carpet tiles under the horizontal recycling system, greatly improved. Moreover, for general household use, we launched rugs and mats for pets, such as dogs and cats. In this manner, we were vigorous in business expansion into other industries.

Future Prospects (Toward Achieving the SGW 2024)

As in FY2023, we will first work to expand sales of environmentally friendly products, centering on ECOS®, and our original highly functional products. Along with such efforts, we will strengthen the space design business to offer people- and society-friendly spaces that are more comfortable and ensure greater safety and peace of mind on a one-stop basis.

To improve the profitability, I think it is important to develop and launch high-grade products, which have still been in the planning stage until now. We will improve the profitability by proposing products that differentiate us from other companies. Primary among them are more luxurious carpets for general household use, such as hand-made rugs manufactured by TANGO TEXTILE Co., Ltd., which has a track

record of delivering products to renowned hotels. Meanwhile, the prices of raw materials still continue to surge, exceeding the maximum we can absorb as a manufacturer. By selling products at reasonable prices, we will maintain our product quality and secure proper inventory, thereby ensuring profit.

The economy has begun to move forward along with the easing of behavioral restrictions against COVID-19. The Interior Fittings segment will keep pace with this positive trend, with determination to aggressively expand business both in Japan and abroad. The SUMINOE GROUP commemorated its 140th anniversary in 2023. I will strive to better operate this business segment so that it can play a role in supporting people's daily life.

Progress Increasing the recognition of SUMINOE Co., Ltd. through public relations —Measures to enhance transmission and penetration of our brand image

SUMINOE Co., Ltd., which plays a pivotal role in the Interior Fittings segment, has been working to strengthen PR activities.

In the fiscal year ended May 2023, the company put a tie-up advertisement featuring an interview in an architecture journal, with the purpose of improving the brand image and recognition of SUMINOE Co., Ltd. and ECOS®.

The company also actively implements measures through the web. For example, it has been continuing to

disseminate information while making effective use of several building materials databases. SUMINOE also plans to redesign its website after reviewing all the contents from the viewpoint of users. In parallel with such activities, the company strives to continuously improve information sharing via social media. In so doing, it aims to widely publicize various brand products of SUMINOE Co., Ltd. to not only B-to-B suppliers but also B-to-C end users.



Website of SUMINOE Co., Ltd. (Japanese only)

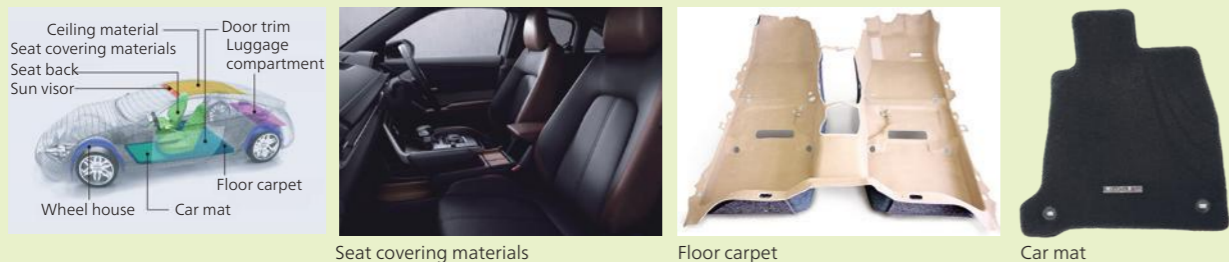
Strategies by Segment

Automotive Textiles and Traffic Facilities (Automotive Textiles)

Business Details

Development, production and sales of automotive interior products (ceiling materials, seat covering materials, floor carpets, luggage compartment, car mats, and other interior products in general), automotive exterior textile products (wheel houses, engine covers, and other textile products). Our products are supplied to all Japanese automobile manufacturers.

Major Products



SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> ● Capability for total coordination of automotive interior products ● Global manufacturing system that enables stable quality and supply ● Strong global supply chain ● Capability for development and proposals of new materials through integration of technologies developed in multiple businesses ● Capability to adopt to the environment as a manufacturer 	<ul style="list-style-type: none"> ● Insufficient consolidation of technologies and expertise possessed by overseas operation sites ● Capability to deal with price fluctuations caused by external factors ● Delay in launching the restructuring of the North and Central American business
Opportunities	Threats
<ul style="list-style-type: none"> ● Response to the automotive industry, which is in the age of transformation represented by CASE and NEVs ● Increased demand for environmentally friendly products ● Increased demand for textile-based products that are lightweight and excel in noise-absorbing performance 	<ul style="list-style-type: none"> ● Sluggish sales of Japanese manufacturers in China ● Intensified price competition ● New entry of overseas manufacturers that produce automotive interior textiles and seat covering materials into the market ● Increasing cost of production due to soaring energy costs

Companies Engaged in the Business

Suminoe Textile Co., Ltd., Suminoe Logistics Co., Ltd., Suminoe Teijin Techno Co., Ltd., Teijin Teclath Ltd., Owari Seisen Co., Ltd., Suminoe Techno Co., Ltd., Suminoe Textile of America Corporation, Bondtex, Inc., Suminoe Textile de Mexico, S.A. de C.V., SPM Automotive Textile Co., Ltd. Suzhou Suminoe Koide Automotive Accessories Co., Ltd., Suminoe Textile Shanghai Co., Ltd., T.C.H. Suminoe Co., Ltd., Suminoe Koide (Thailand) Co., Ltd., PT. Sinar Suminoe Indonesia, PT. Suminoe Surya Techno, Suminoe Teijin Techno Krishna India Pvt. Ltd.

SGW SUMINOE GROUP WAY 2022~2024~2027 Strategies and Measures and Progress Assessment for FY Ended May 2023

Strategies and measures	Progress	Strategies and measures	Progress
Development, sales promotion and effective use of environmentally friendly products	○	Development of products, focusing on "new parts" and "production with less man-hours" as key words	○
Development of interior materials for next-generation vehicles	△	Development of fabric materials using new production methods	○
Cost reduction through the optimization of material procurement	△	Development in accordance with the situations and issues of each global operation site	△
Horizontal development to overseas markets	△		—

Review and Future Prospects by the Officer in Charge

Promoting new projects to meet the needs of a once-in-a-century transformation period

Toshiro Maruyama
 Managing Director
 Division Manager
 Automotive Textiles Business Headquarters



Review of FY Ended May 2023 (Results and Future Challenges)

In the fiscal year ended May 2023, the Automotive Textile business continued to confront extremely harsh conditions, such as the confusion in supply chains caused by the spread of COVID-19, the shortage of semiconductors, suspended operations by automotive manufacturers, the impact of the weaker yen on imported materials, and soaring prices of raw materials and energy due to high crude oil prices. Under such circumstances, net sales and segment income fell significantly below the planned figures. However, by focusing on cost saving, cost reduction and quality improvement measures with the understanding and cooperation of the entire automotive industry, we were able to minimize the impact of inflated raw material prices.

As for profitability improvement of a North American subsidiary, which was one of our concerns, it is almost certain to achieve profitability as a result of measures to restructure the production system and strengthen coordination with a subsidiary in Mexico.

Regarding capital investment, we promoted the development of products that are expected to be profitable in the future and activities to propose these products. In addition, we introduced machines to develop new technologies in Thailand, China and Mexico and made preparations for a new factory for synthetic leather production.

The automotive industry has entered a once-in-a-century period of transformation, with carmakers accelerating the development of electric vehicles toward 2030 while promoting initiatives for ESG and the SDGs. As part of our efforts to respond to the transformation, we launched a new fabric development project. Project members gathered from development, sales and technological departments to work together to create products that add further value to conventional sustainable materials and design items using embossing and embroidery.

Future Prospects (Toward Achieving the SGW 2024)

We regard the third year of the SGW as a breakthrough year, in which we will promote initiatives on four key themes, aiming at winning customer trust through our high capabilities for product development and production proposals.

The first theme is to "further strengthen operation bases in North and Central America." At our subsidiary in Mexico, we plan to complete the construction of a new synthetic leather factory and hold its opening ceremony within 2023. It is the first time in several years for the Group to construct a new factory. We will move to the next step through manufacturing of products that will trigger a revitalization of struggling subsidiaries in North and Central America, development of new products, and expansion of our market share.

The second theme is to "reinforce the fabric business." We will promote the adoption of ECONIX*, a seat covering material that utilizes

スミトロン® (SUMITRON), and sales expansion of decorative fabric materials by further strengthening product planning, development and production, aiming at increasing orders received for fabric products.

The third is "human resources development." We will nurture personnel who can play multiple roles, and we will develop the practical skills of employees.

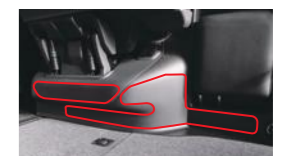
The fourth is "specific strategies on a medium- to long-term basis." We will design specific strategies tailored to the situations and features of the respective 17 operation sites in Japan and abroad, and we will visualize a roadmap to the achievement of their business targets.

* ECONIX: Fabric using an eco-friendly yarn made from recycled chips. It is highly durable and excels in stain resistance and prevention of fibrillation by friction.

Progress Applying products of other businesses as automotive textiles —Development of products, focusing on "new parts" and "production with less man-hours" as key words

We have started to promote sales of floor signage film for trains and buses, which is originally a product of the Traffic Facilities business, as an interior item that is used to prevent scratches in a car. First, the film was adopted by Nissan Motor Co., Ltd. as a protection film for the luggage compartment of SERENA e-POWER (launched in April 2023). Going forward, we will develop a product making effective use of the film's scratch-resistant and decorative properties, with a view to

proposing its applications to other components, such as interior panels, sidestep garnishes, and luggage entry guards. To expand sales of such film, we will promote it to automobile manufacturers.



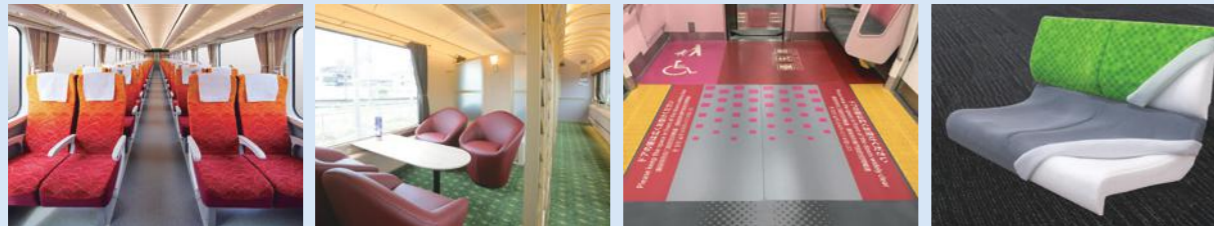
Luggage protection film

Automotive Textiles and Traffic Facilities (Traffic Facilities)

Business Details

Production and sales of interior materials mainly for trains and buses (seat coverings, wall materials, curtains, flooring materials, seat cushion materials, etc.) We have supplied our products to a variety of customers. For trains, these customers include JR, private railways and publicly operated transportation services. Our products have also been used in pickup buses, route buses and sightseeing buses.

Major Products



Moquette (woven velour), curtains Carpets Floor signage film SUMICUBE®, knit fabric

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> The industry's top market share percentage Capability to offer total proposals for interior materials for public transportation systems Environmentally friendly products with excellent safety performance Technological and development capabilities taking advantage of possessing the Group's own factories 	<ul style="list-style-type: none"> Aging facilities of manufacturing factories Aging human resources Significant impact of the decline in the traffic industry Insufficient track records of delivery to overseas customers
Opportunities	Threats
<ul style="list-style-type: none"> Increase in travelers and foreign visitors to Japan in the post-pandemic era Increase in users of public transportation facilities owing to practical application of MaaS Increased demand for environmentally friendly products Increased demand for products for EV buses 	<ul style="list-style-type: none"> Decrease in users of public transportation facilities owing to declining birthrate and aging population Decrease in the number of trains/buses owned because of decreased business trips and reduced rush-hours due to the spread of teleworking and staggered working hours Soaring materials prices

Companies Engaged in the Business

Suminoe Textile Co., Ltd., Marunaka Soei Co., Ltd., Seki Textile Co., Ltd., Teijin Teclath Ltd., Owari Seisen Co., Ltd., Suminoe Techno Co., Ltd.

SGW SUMINOE GROUP WAY 2022~2024~2027 Strategies and Measures and Progress Assessment for FY Ended May 2023

Strategies and measures	Progress
Increase order receipts for renovation and replacement work, both of which show signs of recovery.	×
Develop and increase sales of new products.	○
Develop environmentally friendly fabrics.	△
Increase market shares.	○
Propose and receive orders for SUMICUBE® (seat cushion material) with a new tactile impression.	△



Review and Future Prospects by the Officer in Charge

Improving performance by expanding sales channels, viewing post-pandemic recovery in demand as business opportunities

Sadahiro Seto
Operating Officer
Division Manager
Traffic Facilities Business Headquarters



Review of FY Ended May 2023 (Results and Future Challenges)

In the fiscal year ended in May 2023, sales were sluggish in the Traffic Facilities business since orders received from transportation operators, who are our customers, remained low due to a lack of recovery in demand for updating and maintaining train seats as well as for new sightseeing buses.

However, I realize that the passenger demand has been on a recovery trend after the reclassification of COVID-19 under the Infectious Diseases Control Act to Category V. Although demand for new sightseeing buses is still low, there is a resurgence in orders received for covering materials for updating and

maintaining train seats and for SUMICUBE® cushion material for train cars. We also see recovering demand for route buses and emerging demand for EV buses.

On the occasion of these changes, we recognize that we are in the period of being more responsive to the needs of our customer companies. Making the most of our strong proposal-making capability and high market share, we strive to offer proposals that give greater satisfaction to customers and ensure a stable supply of products.

Future Prospects (Toward Achieving the SGW 2024)

In 1896, the Company succeeded in manufacturing moquette, a pile fabric for seat coverings, as the first of its kind in Japan. Since then, we have been maintaining the top market share in the area of seat coverings used in public transportation facilities. Seat covering materials account for roughly 50% of sales in this business segment. In July 2022, to maintain and improve our development and production system, we acquired Seki Textile Co., Ltd., which has been functioning as a moquette manufacturing factory of the SUMINOE GROUP. The Group will continue to pursue design and functionality that satisfy customer needs, aiming to enhance its brand value.

The passenger demand in society as a whole has recovered only up to around 80% of pre-pandemic levels. To achieve the

SGW in such a situation, we will focus efforts on further promoting our functional products and enhancing the functionality of SUMICUBE® and floor signage film while bringing their prices down, thereby increasing order intake.

We have worked to strengthen cooperation with other business segments and apply know-how of the Traffic Facilities business to other segments. As a result, now we have a good track record at selling products that we had not handled previously. We will continue to reinforce cooperation with other business segments to promote sales of seat upholstery materials for theaters and halls. Through these endeavors, the Group will increase customer acquisition by leveraging its existing know-how, which will enable the business to turn around.

Progress Generating synergies through the acquisition of Seki Textile Co., Ltd. as a Group company –Measures to develop and increase sales of new products and to increase market share

In July 2022, Suminoe Textile Co., Ltd. acquired Seki Textile Co., Ltd. as a Group company, with the expectation of generating synergies between the Company's stable supply system and Japan's leading weaving technology owned by Seki Textile (see p. 30). With strong capabilities for selling moquette not only for trains and buses but also for household furniture, Seki Textile contributes to expanding the Group's market share and to improving its competitiveness.

The Company appointed the Director of the Traffic Facilities Textiles Planning Division of the Traffic Facilities Textiles Business Department of Suminoe Textile Co., Ltd. as a Director of Seki Textile Co., Ltd. She is the Group's first female to be internally promoted to a Director, although

until then there had been examples of appointment of female Outside Directors for the entire Group. Before being engaged in the Traffic Facilities business, she dealt with general household products in the Interior Fittings segment. Capitalizing on her experience in production and quality control she had accumulated in the previous segment, she is now in charge of management and administration of both the Company's Traffic Facilities business and Seki Textile Co., Ltd. We will continue to encourage our personnel to utilize their experience, knowledge and personal connections cultivated in other business segments for developing and increasing sales of new products in the Traffic Facilities business as a whole.

Functional Materials

Business Details

Moving beyond its conventional business segments, the Group has been active in advancing into new business fields, handling a wide range of products, including textiles, non-textiles, interior materials, household appliances and food. Household appliance business: Development, production and sales of fabric-coated heating products Functional materials business: Development, production and sales of floor materials for bathrooms, deodorizing products, interior materials for aircraft, water shielding/thermal insulation sheets, and food products

Major Products

Electric carpets

Deodorant air filters for air purifier

Roofing materials

CLOTHCABIN®

Floor materials for bathrooms

Interior materials for aircraft

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

"Kakidanomi" supplement containing persimmon (kaki) polyphenol

* CLOTHCABIN is a registered trademark of TEIJIN FRONTIER CO., LTD.

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> Functional materials and functional treatment technologies that are unique to the Group Eco-friendly technology capability Organizational structure to realize high-quality products and high-level development 	<ul style="list-style-type: none"> OEM business that is vulnerable to demand fluctuations Household appliances only limited to fiber-coated types of products Delayed brand penetration Dispersion of capabilities due to business operations in multiple fields
Opportunities	Threats
<ul style="list-style-type: none"> Trend toward a decarbonized society, a declining birthrate and aging population, increasing health and hygiene awareness, and the emergence of new needs due to external environmental changes, such as digital transformation (DX) New demand from existing customers in many fields Discovering overseas demand, with a footing in overseas affiliates 	<ul style="list-style-type: none"> Unexpected changes in the external environments caused by a pandemic and other events Market maturity, lowering of product prices, intensified price competition Changes in consumer trends due to a declining birthrate and aging population and other factors Changes in situations of the countries where overseas operation sites are located

Companies Engaged in the Business

Suminoe Textile Co., Ltd., Suminoe Techno Co., Ltd., Suminoe Textile Vietnam Co., Ltd., Suzhou Suminoe Textiles Co., Ltd., Owari Seisen Co., Ltd.

SGW SUMINOE GROUP WAY 2022~2024~2027 Strategies and Measures and Progress Assessment for FY Ended May 2023

Strategies and measures	Progress	Strategies and measures	Progress
Consolidate overseas factories of fabric-coated heating products, optimize the production and supply systems for these products, and strengthen the business capability.	△	Develop new health foods and everyday items using persimmon polyphenols and other functional natural substances and expand sales of these products.	△
Promote development of new products by using functional products and processing technologies and increase sales of these products.	△	Promote new commercialization utilizing smart textiles.	△
Develop and increase sales of products made by functionally processing technologies, such as deodorant treatment and anti-virus processing technology.	△	Cooperate with the technology development sections to strengthen the capability of sales and development.	△
Maintain and promote appropriate quality management and product supply systems in accordance with the JIS Q 9100 quality management standard for the aerospace industry.	○	—	—

Review and Future Prospects by the Officer in Charge

Striving to enlarge the business scale and improve profitability while flexibly responding to major environmental changes

Masaya Fukuoka
Operating Officer
Division Manager
Functional Materials Business Headquarters



Review of FY Ended May 2023 (Results and Future Challenges)

In the fiscal year ended May 2023, the performance in the Functional Materials segment exceeded the results for the fiscal year ended May 2022, thanks to robust demand for bathroom floor materials, despite the negative impact of soaring prices of resources and raw materials, drastic fluctuations in foreign exchange rates, an increase in import costs, and other factors.

In the household appliance business, the fiscal year under review was the first year for our new production system that was established after the consolidation of overseas factories. Beginning in FY2023, the factory in Vietnam has been in charge of manufacturing fabric-coated heating products. The factory is making steady preparations for producing main components in-house, establishing a production system toward achieving the SGW 2024. Going forward, we will expand the scope of the business license for the Vietnamese factory, while strengthening its corporation with its counterparts in Japan and

China, not only to promote the production business but also to undertake a new business with added value. In doing so, we will strive to improve profitability.

In the functional materials area, demand for bathroom flooring materials has remained firm. By improving the operations management of production, inventory and delivery of these materials, we are working to reinforce the supply system.

In the area of functional processing, although demand for deodorizing filters for air purifiers was slack, initiatives are under way to develop new demand and products toward attainment of the SGW 2024.

In all areas, we will remain committed to augmenting the above-stated initiatives toward the SGW 2024, with the awareness that we should take on challenges to enhance cost competitiveness to resist environmental changes and our capabilities for promoting development to advance into a new field.

Future Prospects (Toward Achieving the SGW 2024)

There has been a move toward the normalization of social and economic activities as represented by the easing of behavioral restrictions and the increase in inbound tourism demand. On the other hand, future prospects still remain unpredictable due to the lingering Russia-Ukraine conflict, financial tightening mainly in Western countries, rising prices of resources and raw materials, fluctuations in foreign exchange rates, and so forth. It is also expected that people's sense of value will become further diversified along with changes in lifestyles and that public awareness of sustainability will continue to increase.

Although this business segment is susceptible to these trends, we will strengthen and promote the strategies and measures specified under the SGW, in order to expand the business while keeping pace with environmental changes, with a focus on the six initiatives shown on the right.

- ① Improve cost competitiveness through optimization of business and work processes, aiming at profit maximization
- ② Promote product development in response to social issues and market needs
- ③ Strengthen proposal-based development and sales for a diverse range of customers
- ④ Develop applications of our unique materials and processing technologies and expand the scope of applications to other fields
- ⑤ Enhance functions of overseas operation sites to promote a production business with added-value features
- ⑥ Strengthen cooperation with technology development divisions to conduct development activities to explore new fields for the next generation

Progress Optimizing functions of the factory in Vietnam — Measures to consolidate overseas factories of fabric-coated heating products, optimize the production and supply systems for these products, and strengthen business capability

Suminoe Textile Vietnam Co., Ltd., our production base of fabric-coated heating products, started processing and assembly of deodorizing filters. This has enabled us to reduce the physical distance with major customers of deodorizing filters, which will lead to optimization of customer support.

In the fiscal year ending May 2024, the Vietnamese subsidiary will begin in-house manufacturing of nonwoven fabric, which is used for the main component of electric carpets. In this way, we will improve work efficiency and increase profitability.



Production line for nonwoven fabric at Suminoe Textile Vietnam Co., Ltd.

Interior Fittings

Resources for the Future—ECOS® carpet tiles produced by recycling otherwise discarded carpet tiles into new products

The shrinking remaining capacity of landfills is one of the environmental problems in need of urgent solutions. It is said that existing landfills across Japan will be filled to capacity only within 20 years or so. In 2011, the Group established the ECOS® Recycle System to recycle used tile carpets, which previously had to be dumped in landfills, into a backing of new carpet tiles. This led to the launch of the ECOS® series, eco-friendly carpet tiles under the horizontal recycling system, which has achieved a recycled material ratio that is one of the highest in the world. We also released products featuring “double recycling” that use the Group’s proprietary recycled materials for both the backing and the surface pile yarn. To be more specific, for these products, スミトロン® (SUMITRON), recycled polyester fiber (developed in 1989), and SEACLE (developed in 2021), recycled fiber made from discarded fishing nets, are used for the pile yarn on the surface of ECOS®. In 2020, our Group factory abolished the dyeing process, which accounted for much of its environmental impact, by changing pile yarn of all the carpet tile products to solution-dyed yarn. As a result, the factory succeeded in reducing water usage, electricity usage and wastewater.

Nowadays there are many environmentally friendly products. In such circumstances, we are pleased that the concept of ECOS®, which we had developed ahead of other companies in the industry, has been highly regarded by major developers. Most recently, ECOS® was adopted by Mori Building Co., Ltd. for the Azabudai Hills and Toranomon Hills Station Tower Project in the metropolitan Tokyo area. In this large-scale project, ECOS® was installed to cover a total area of 350,000 m² in the offices on each floor of these buildings. Toward the realization of a sustainable future, we will continue to work together with customers to realize a sustainable future while gaining greater customer support for the concept of ECOS®.



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

Automotive Textiles and Traffic Facilities (Automotive Textiles)

Promoting development and order receipts of fabric materials using a new method

In the fabric business, our “point-raised embroidered fabric,” a decorative material that accentuates car seats, was adopted by Honda Motor Co., Ltd. for the ZR-V (launched in April 2023). We developed this seat covering material with a view to producing a mixed-color fabric that gives an impression of a third dimension or depth and that feels soft and comfortable while providing ample comfort to sink into. To create a sense of a third dimension like a sofa, we employed a new decorative expression using embroideries. Originally, our embroidery technology was used at production sites engaged in the mat business using sewing machines. As such, conventionally, the technology had not been much used in the fabric business, whose strengths lie in dyeing and finishing processing technology. In this project, overseas factories of the respective businesses were encouraged to exchange and share each other’s technologies. Through such activities, the Group successfully combined technologies of these businesses and enhanced our capability of proposing a total coordination of automotive textiles, so we were able to embody the development concept of the ZR-V.

Reinforcement of the decorative seat fabric business is one of our priority strategies for the future. We will promote this business in order to offer high-quality interior spaces with an excellent texture.

New embroidery processing technology

Effects	<ul style="list-style-type: none"> ● Embroidery expression that creates bumps and dips on the fabric surface and gives an impression of a third dimension ● Various expressions, including stitching, plane expression, dot patterns, and overlapping zigzag stitches
Features	<ul style="list-style-type: none"> ● Embroidery processing applicable to a thick fabric, and ease of assembly ● Embroidery threads come in nine colors, enabling color changes. ● Glossy and three-dimensional effects by using modified cross-section embroidery threads as an aggregate



Interior of the ZR-V

Automotive Textiles and Traffic Facilities (Traffic Facilities)

Generating synergies between the market scale of Suminoe Textile Co., Ltd. and the existing technologies of Seki Textile Co., Ltd.

The Traffic Facilities business of Suminoe Textile Co., Ltd. has been operating as a market leader, based on its track record and customer trust it has built for more than 100 years. In the future, it is predicted that its business environment will be affected by the aging workforce, decrease in the number of users of public transportation facilities and decrease in the number of trains/buses owned due to post-pandemic changes as well as the declining birthrate and aging population, etc. Under these circumstances, in July 2022, the Group acquired Seki Textile Co., Ltd., which is engaged in production and sales of jacquard moquette used in seat coverings for train cars and buses, as a Group company.

The features of Seki Textile include its capability of one-stop production, from weaving to finish processing. The company’s joining the Group has enabled us to further improve production efficiency, leveraging the economies of scale that Suminoe Textile has as a market leader.

We can also expect cost advantages, such as a decrease in raw material procurement prices. By merging the development capability of the Company with the production capability of Seki Textile, the Group will intensify its efforts for new business and technology development and for market expansion. In addition, we plan to re-establish the mother factory in the Traffic Facilities business and make active efforts in maintaining Seki Textile’s looms and taking over its technologies. At the same time, we will heighten awareness of manufacturing among employees working in the Traffic Facilities business.

As SUMINOE GROUP companies engaged in the Traffic Facilities business, Suminoe Textile Co., Ltd., Seki Textile Co., Ltd. and Marunaka Soei Co., Ltd. will work in concert to generate synergies in order to explore new development.



No. 1 factory of Seki Textile Co., Ltd.

Functional Materials

Launching a new material for Kuriyama Pulizia Corporation

Kuriyama Pulizia Corporation handles the planning, production and sales of rental products, including mats, mops, aromatics and other products for rental use. The company has been active in promoting environmentally friendly products as well as hygiene- and safety-conscious products. So far, our unique functional materials, function processing technologies and environmental technologies offered by the Group’s Functional Materials segment have earned high recognition from Kuriyama Pulizia, which has adopted our antibacterial fabrics for entrance and toilet mats, mop threads, etc. These products use スミトロン® (SUMITRON) recycled polyester fiber featuring antibacterial properties, which has been certified with the SEK Mark.* In May 2023, Kuriyama Pulizia launched the new product “Re.EarthMat,” for which the Group’s mat fabric was employed. “Re.Earth” was so named to convey the message “Restore the original state of the beautiful earth!” For its piles, this mat uses ECONYL® nylon produced by Aquafil, an Italian textile manufacturer, and made of discarded fishing nets, used carpets and recycled waste collected from the textile industry. The Re.EarthMat features a checkerboard design created by combining several woven patterns and using red effectively. This superb design differentiates the mat from conventional rental mats. The Re.EarthMat was developed and commercialized through collaboration among Kuriyama Pulizia Corporation, designers of Suminoe Textile Co., Ltd., and planners of Suminoe Techno Co., Ltd.

Capitalizing on its organizational structure capable of realizing high-quality products and high-level development, the Functional Materials segment will continue to develop and propose products that differentiate itself from others, with outstanding functionality, environmental and safety performance, and other advantages.

* The certification system of Japan Textile Evaluation Technology Council (industry’s voluntary standards)



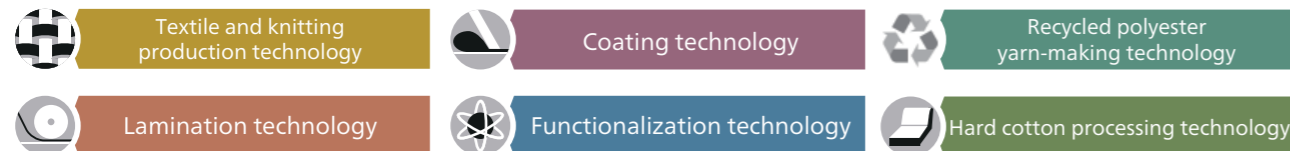
Re.EarthMat

Fundamental Development Philosophy

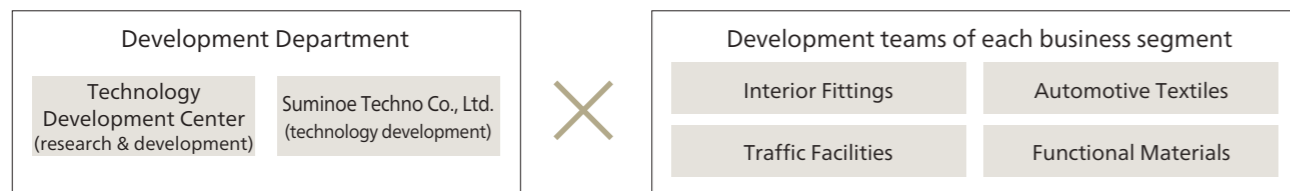


Under its fundamental development philosophy "KKR+A (Kenko [Health], Kankyo [Environment], Recycling and Amenity)," the SUMINOE GROUP has been working on research and development of technology and products that help resolve environmental issues and contribute to society while striving to sow seeds for industry-academia collaboration. We will continue our efforts to develop new technologies and products that are friendly to people and the environment, based on "KKR+A" and core technologies that the Group has cultivated for many years.

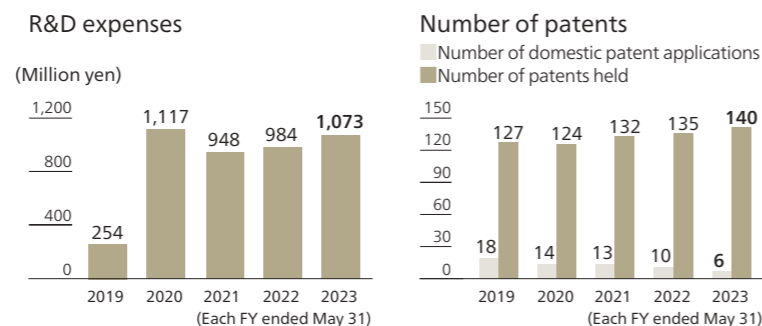
Core Technologies



Research and Development System



The Group carries out research and development based in the Nara Factory, through cooperation between the Development Department, which conducts research and development of core technologies, and the development teams of respective business segments.



Topics

Establishing resin compounding technology that realizes vibration-damping performance adjustable according to the usage

The "lightweight vibration absorbing foam sheet," which is adopted for automotive sound deadening materials, uses a resin with vibration-damping performance. Previously we used only one type of resin. However, in May 2023, we established a technology that allows us to compound several types of resins having different vibration-damping properties while retaining each resin's properties. Using this technology, flexible adjustments can be made according to the temperature and frequency ranges of the vibration source, so now we can design a product that is more suitable to the usage environment. Currently, we are working for the deployment of new products, including "burupita™," which makes effective use of this technology.



SGW SUMINOE GROUP WAY 2022~2024~2027 R&D Challenges and Progress Assessment for FY Ended May 2023

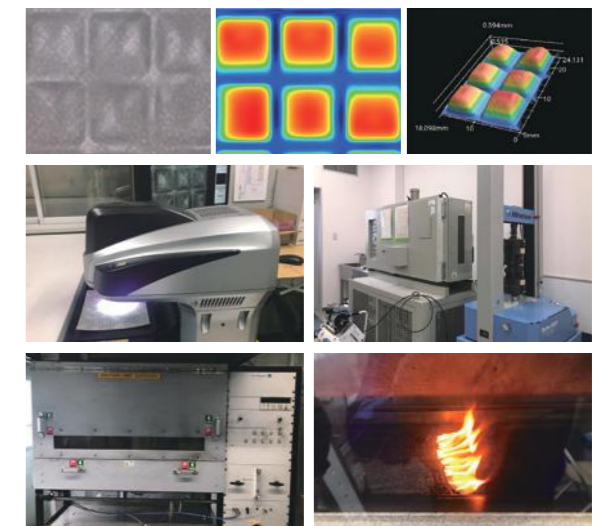
Strategies	Progress	Strategies	Progress
Enhance functionality of bathroom interior products.	○	Basic research using bioplastics	△
Improve floor signage film.	○	Basic research for extracting beneficial substances from woody biomass	×
Develop and commercialize chemicals for multifunctional processing.	△	Smart textiles: Efforts for commercialization of water-wetting detection systems and power generating fibers	○
Develop antibacterial and anti-virus technologies and evaluation techniques.	○		
Develop new products using raw materials derived from nature.	△		—

Endeavoring to raise the level of resin processing technology

One of the Group's strengths is resin processing technology, which we have cultivated through our experience in carpet backing processing.

We are well-versed particularly in olefin resins with high safety and environmental performance, which are used for floor signage film and bathroom interior products. These products are required to achieve a higher level of performance and functionality. To develop a resin that can live up to such requirements, the Group is promoting the upgrade of various features, such as anti-slip property, anti-fouling property, high shaping property, fire retardancy, high strength, and thermal resistance.

By sophisticating our resin processing technology as well as textile weaving and knitting technologies, we will realize innovative designs and comfortable functions in a variety of interior textile materials.



Evaluation and measurement instruments to assess three-dimensional shape, high strength, thermal resistance, and fire retardancy (examples)

Comments on Research and Development Strategies by the Officer in Charge of Research and Development

Aiming to resolve social issues, achieve the growth of existing businesses and create new value through innovations

Eiichiro Kimura
Director
General Manager
Development Department



The Development Department, which is tasked with R&D activities, strives to develop new products and facilitate the growth of existing businesses, taking advantage of our core technologies and core facilities.

In the fiscal year ended May 2023, we succeeded in developing a technology for customizing vibration-dumping functions of resins by fusing the design and compounding technologies related to resins used in automotive carpet backing with the forming technology of extrusion processing machines. This customization technology is incorporated into a new product, "burupita™," a vibration absorption sheet. This technology has widely expanded the lineup of resin products that the Group can

offer. In the future, we aim to enter into a new market and a new industrial field.

As for fiber processing technologies, in which the Group is strong, we are working to create a successor to トリプルフレッシュ® (TRIPLE FRESH) deodorizing treatment technology through the active use of nano materials and R&D of original processing technologies.

It has been more than one year since the Nara Factory reorganization project was completed. In order to steadily evolve the Nara Factory into a "manufacturing base that creates a rich environment," we will continue to advance waste reduction, introduction of renewable energy, and other initiatives.

Toward System Optimization and Improvement in Technological Capabilities in Response to the Transformation in the Automotive Industry

The automotive industry is on the cusp of a once-in-a-century transformation as represented by the keywords CASE^{*1} and MaaS^{*2}. This provides the Group with a great business opportunity. With this recognition, we are implementing various initiatives. Introduced here are initiatives undertaken in the synthetic leather and decorative fabric businesses, which are explained by employees of our overseas Group companies.

^{*1} CASE, the acronym for Connected, Autonomous, Shared & Services, and Electric, is a keyword that indicates the trend in the next-generation automotive industry.
^{*2} MaaS stands for "Mobility as a Service," which integrates various forms of transportation into a single, next-generation transportation service.



Synthetic leather business

Striving to optimize the production system, viewing the expansion of the synthetic leather market as a business opportunity



Masakazu Aoyama
 COO
 Suminoe Textile de Mexico,
 S.A. de C.V.
 Guanajuato, Mexico

The trend toward vehicle electrification has accelerated from the viewpoint of environmental conservation. As in the case of the fuel economy of gasoline-powered cars, the electricity economy of electric vehicles needs to be improved. There are calls for weight reduction of various products. This also holds true for automotive seat coverings—nowadays we see an increasing preference for synthetic leather over real leather because of the former's lighter weight. In addition, the need for synthetic leather is growing in terms of animal welfare. Due to these influencing factors, the synthetic leather market in the United States has expanded to reach a level of roughly 140 billion yen, as of 2022.

In response to this market expansion, the Group has been promoting the restructuring of the North and Central American business. In December 2023, a new factory equipped with a synthetic leather production line will be completed in Mexico, which is home to a concentration of assembly factories of automotive seats. By establishing a production base in the country, the Group expects to achieve higher efficiency in supplying our products to manufacturers that are engaged in cutting and sewing car seat components destined for Mexico as well as for North America. The new factory is designed to handle PU and PVC in view of future diversification of demand for synthetic leather. We have also worked to develop relevant technologies and a production environment and to cultivate human resources. We have therefore mostly completed the preparations for supplying value-added synthetic leather.

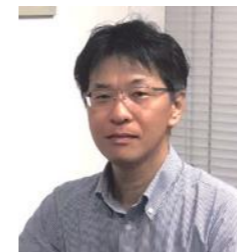
At present, import of car parts made in Mexico to North America is largely increasing, reflecting the rising import costs from China due to the US-China trade conflict and the necessity for procuring key parts made in North America as required by the United States-Mexico-Canada Agreement (USMCA). The production volume also continues strong growth, and this trend is expected to become stronger. The Group has conventionally responded to the trend by exporting synthetic leather products from Japan or China to Mexico. Going forward, however, these products will be supplied directly from our new factory in Mexico. We have already been receiving various inquiries from overseas automotive manufacturers. By promoting the optimization of the production system, the Group aims to bolster the global supply chain.



Artist rendering of the new factory in Mexico

Decorative fabric business

Adding value to materials with excellent technological capability in order to meet the market needs



Makoto Konda
 Chairman and
 General Manager
 Suminoe Textile Shanghai Co.,
 Ltd.
 Shanghai, China

If automated driving further advances in the future, there will be increasing need for vehicle interiors as a private space, rather than as a space to simply spend time during transportation. For this reason, the market for new designs is expected to expand in the future. We have offered automotive textiles leveraging one of our strengths, "total coordination of automotive interior textiles, from ceilings to floors." To provide customers a total coordination of automotive textiles with further added value, such as superior comfort and design, our decorative fabric technology is becoming increasingly important.

When it comes to seat fabric decoration for automotive interiors, methods of creating patterns, such as print processing and embossing, have been the mainstream so far. However, these days this trend is changing—much importance is placed on the texture of plain fabric, and need is growing for solid-color fabrics using embroideries, design perforations, and other decorative techniques that add value to these fabrics. In fact, our Group's fabric products decorated with embroideries were adopted by Honda Motor Co., Ltd. for the ZR-V (Japan and China) and the HR-V (China). To produce these products, my company introduced embroidery equipment made in Japan into the two factories in China, and it has been managing raw material procurement, production and sales of these fabrics. Moreover, we are considering a "decorative combination" of several techniques, for example, combining an embroidery and perforation, as a method to broaden the range of new design renderings.

In the future, we will continue working to add high value to our mainstay fabric products and synthetic leather seat covering materials, on which the Group places greater emphasis, by using our design development and procurement capabilities as well as production capability for decorative processing. Through such efforts, we aim to differentiate our products from others to expand sales. Especially in the Chinese market, where automobile production is the largest in the world, we plan to approach not only Japanese carmakers but also other various companies.



Japanese-made embroidery equipment used in China

Aiming at an optimal capital structure to lead to new growth

Hiroaki Usugi

Managing Director
General Manager, Administration Headquarters
Suminoe Textile Co., Ltd.



As the General Manager of the Administration Headquarters, I am in charge of formulation and execution of financial strategies to maintain an optimal capital structure, which is necessary to realize the strategies for growth. My role is also to support the initiatives to improve competitiveness of each Business Headquarters, such as reviewing operations and improving efficiency by using information systems as well as developing educational and other new systems for human resources development and utilization.

Progress in Efforts toward Medium- to Long-term Management Targets

Affected by the external environment, failing to achieve the targets in FY2023

In the fiscal year ended May 2023, the second year of the Medium- to Long-term Management Targets "SUMINOE GROUP WAY 2022-2024-2027" (hereinafter SGW), although net sales exceeded the target figures in the plan, we failed to achieve the targets for operating income, ordinary income, profit attributable to owners of parent, ROE and D/E ratio. In the fiscal year ending May 2024, we will accelerate efforts to "expand sales and build a foundation for growth," which is one of the SGW targets, and aim to achieve the plan.

Results of the Second Year of the Three-year Consolidated Income and Expenditure Plan

	2022		2023		2024
	Plan*	Results	Plan*	Results	Plan*
Net sales (million yen)	86,480	81,713	90,360	94,828	93,490
Operating income (million yen)	1,160	110	2,520	1,294	3,300
Operating margin (%)	1.3	0.1	2.8	1.4	3.5
Ordinary income (million yen)	1,350	950	2,730	1,575	3,530
Profit attributable to owners of parent (million yen)	620	281	1,280	320	1,960
ROE (%)	2.2	1.0	4.5	1.1	6.6
D/E ratio (times)	0.58	0.67	0.64	0.73	0.56

* Planned figures are as of the disclosure on July 13, 2021.

Efforts to Meet the Criteria for Remaining Listed

Continuously working to improve corporate value to meet the remaining criterion

In response to the Tokyo Stock Exchange's revision of the market segments, we selected the Prime Market. As of June 30, 2021, the record date of the market transition, the criteria "an average daily trading value of at least 20 million yen" and "a market capitalization of tradable shares of at least 10 billion yen" had not been achieved. However, as a result of the enhanced IR activities and shareholder returns, the average daily trading value as of December 31, 2022,

the calculation reference date, reached 47 million yen, satisfying the criterion. Meanwhile, however, the market capitalization of tradable shares was 8.07 billion yen as of May 31, 2023, falling short of the target. Going forward, in order to satisfy the criteria for remaining listed by May 31, 2024, we will continue various efforts to improve corporate value through reinforcement of existing businesses, capital investment and M&A, to promote proactive IR activities, and to enhance corporate governance.

Progress in the Company's Status of Compliance with the Continued Listing Criteria and the Period of the Plan

	No. of tradable shares	Market capitalization of tradable shares	Tradable share ratio	Average daily trading value
Listing maintenance criteria for the Prime Market	20,000 units	10 billion yen	35%	20 million yen
The Company's compliance status and progress	Transition reference date	27,068 units	5.44 billion yen	35.2%
	Calculation reference date	37,631 units	8.07 billion yen	48.9%
Status of compliance and the period of the plan described in the initial plan	Confirmed	Conformed May 31, 2024	Confirmed	Confirmed

* This description is based on the notification from the Tokyo Stock Exchange concerning the state of compliance with the listing maintenance criteria (trading volume standard) for the period January to December 2022.

Cash Flow Management and Investment Strategies

Creating cash flows by increasing cash from operating activities and liquidating fixed assets

To proactively make investment to reinforce existing businesses and expand the business fields, we have established a target of securing free cash flows of 3 billion yen or more each year. With particular focus on increasing cash from operating activities, we have set an operating margin of 5% or higher as a target in the SGW. Moreover, we will make efforts to keep the level of current assets, such as trade receivables and inventory, at an appropriate level and liquidate fixed assets by selling securities and land, etc.

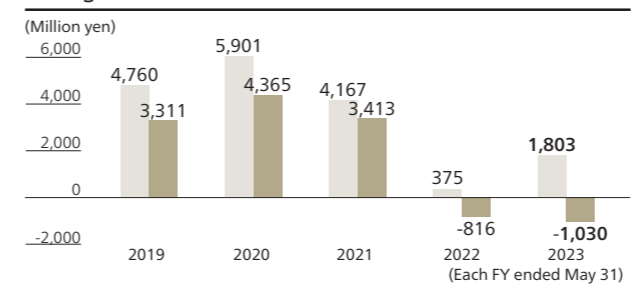
In fiscal year ended May 2023, cash flows increased due to increased income in the Automotive Textiles and Traffic Facilities segment. In fiscal year ending May 2024, business performance has been on a recovery trend, whereas inventory has still remained at a high level. However, we will secure cash flow from operating activities by returning inventory to a more appropriate level, such as that before the COVID-19 pandemic.

We also significantly reduced the ratio of dollar denominated debt in response to the increase in U.S. interest rates. The lower payment of interest is expected to create cash from operating activities in fiscal year ending May 2024 and onward. In the future, we will continue to work on cash flow

management on a global scale, taking into account the interest rates and the currency selection, so as to promote an optimal finance policy.

In fiscal year ending May 2024, we plan to reorganize the logistics bases in East Japan. By further improving the efficiency of logistics networks and selling land of a logistics site after its relocation, we aim to create cash flows.

Changes in Cash Flows

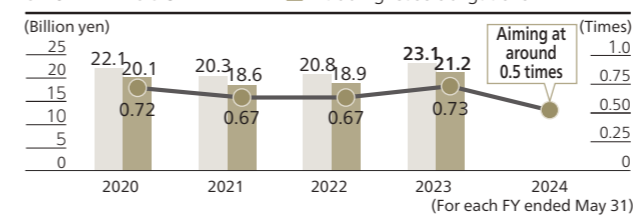


Improving the financial structure by reducing interest-bearing debt to achieve an optimal capital structure

In improving the financial structure, we attach importance to the D/E ratio. We have incorporated the improvement plan in the SGW, aiming at about 0.5 times. The D/E ratio for fiscal year ended May 2023 was 0.73 times due to a reduction in cash flows from operating activities and an increase in interest-bearing debt resulting from M&A and large investment undertaken since the previous fiscal year. In conjunction with various measures to create cash flows, we will make efforts to reduce interest-bearing debt, aiming for achieving an optimal capital structure.

As an indicator to measure the profitability of capital, we focus on ROE. In fiscal year ended May 2023, ROE was 1.1% since profit recovery was on the way. However, for fiscal year ending May 2024, we aim at ROE of 6.6%, as targeted in the SGW. In fiscal year ending May 2024, we will accurately grasp the capital costs and carry out analysis and evaluation regarding the profitability indicators and market assessment. We will then establish policies and targets toward improving diversification of elements of corporate value in the SGW 2027, and we will implement specific initiatives.

Interest-bearing Debt and D/E Ratio



M&A and investment for the next generation

With regard to M&A, Seki Textile Co., Ltd. joined the Group as a subsidiary in the Traffic Facilities business (p. 30). With this acquisition, we will promote BCP of the Traffic Facilities business, which holds the top market share, aiming to further increase incoming orders and expand the business amid recovering demand.

As for capital investment, we launched the construction of a new synthetic leather production factory at a subsidiary in Mexico to cope with the expansion of the synthetic leather markets in North and Central America. A total of approximately 3 billion yen will be invested to establish the new factory, which is slated for completion

in December 2023. Regarding investment in restructuring of core systems, Suminoe Textile Co., Ltd. introduced a receivables/payables management system, an accounting system, and a production management system. With these systems, we aim to reduce maintenance costs, promote rapid decision-making, improve inventory management accuracy through unified management, and enhance work efficiency. In the fiscal year ending May 2024, these systems will be deployed to subsidiaries.

We manage the above-mentioned investment by giving discretion to each Business Headquarters to facilitate speedy decision-making while using the payback period method and setting the hurdle rate for each business at the Board of Directors' meetings. Basically, internal reserves and cash from operating activities are used as a source of funds for investment, and if necessary, funds are raised and allocated to investment projects.

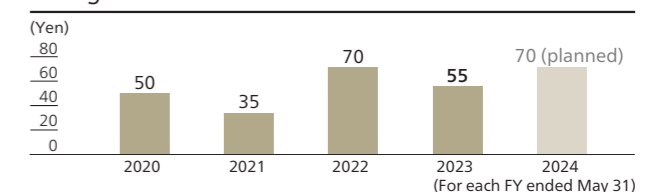
Shareholder Returns

Ensuring stable dividend payment and introducing a shareholder special benefit program

Our basic policy of shareholder returns is to ensure stable dividend payment to our shareholders and properly allocate the surplus, taking into consideration the trends in business performance and investment for business expansion. Starting from fiscal year ended May 2022, we introduced a shareholder special benefit program to enhance shareholder returns.

For fiscal year ended May 2023, the Company revised the year-end dividend from 35 yen to 20 yen per share, to total a full-year dividend of 55 yen, in light of the revisions to the business performance forecast. We plan to pay a full-year dividend of 70 yen for fiscal year ending May 2024.

Changes in Dividends



Strengthening Communication with Investors

Enhancing disclosure materials and proactive IR activities

To raise the level of our recognition and reliability both inside and outside Japan, we are working to enhance investor relations (IR) activities. Our IR efforts include improving the contents of the integrated report and various other information disclosure materials and translation to English thereof, continuous publication of sponsored reports, and posting the proceedings of financial results briefings on our corporate website to enhance information provision for individual investors. In addition, recently we have held an increasing number of individual meetings with institutional investors in every quarter. In this manner, we remain proactive in promoting constructive dialogue with shareholders and investors.

Going forward, we will continue to implement IR activities aimed at an optimal capital structure, which will lead to new growth and improved corporate value of our Group.



Sustainability Promotion System and Governance and Risk Management

The SUMINOE GROUP holds meetings of the CSR Promotion Committee three times a year, under the corporate governance and CSR promotion system (see p. 53). Chaired by the Managing Director and Representative Director (General Manager of Administration Headquarters), the Committee deliberates on the activity policies and important challenges in the CSR and sustainability fields, related risks to be addressed with priority, etc. The results of deliberations are reported to the CSR & Internal Control Council (Executive Committee) and then approved of at the meeting of the Board of Directors.

Basic Approach to the Basic Policy on Sustainability and Related Policies

In the course of promoting ESG management, the Group is working to achieve the Medium- to Long-term Management Targets "SUMINOE GROUP WAY 2022-2024-2027." Particularly in the fields of CSR and sustainability, we believe that it is important to identify key sustainability issues to focus on (see pp. 17-18) and address these issues through its business operations. With this recognition, we regard the Basic Policy on Sustainability and Related Policies as guidelines for resolving the key sustainability issues and achieving sustainable growth of the Group.

Basic Policy on Sustainability

The Suminoe Textile Group contributes to the realization of a sustainable society by achieving sustainable growth through sound, transparent management and business activities in harmony with society and the environment while observing its Code of Conduct and the Standards of Conduct, both of which are based on the Corporate Philosophy.

Framework of the Basic Policy on Sustainability and Related Policies

Basic Policy on Sustainability	
Sustainability-Related Policies	
E (Environment)	Second SUMINOE Environmental Declaration
S (Social)	Human Rights Policy*
	Health and Safety Policy
	Basic Policy on Human Resource Development
	Basic Policy on Diversity and Inclusion

*As for the policies marked with an asterisk, in FY2023 we made preparations for the formulation.

Since the fiscal year ended May 2022, the Group has worked to develop the Basic Policy on Sustainability and Related Policies as the guidelines for its sustainability initiatives.

In the G (governance) aspect, the SUMINOE GROUP has established its Code of Conduct and its Standards of Conduct, both of which lay out the basic policy for ensuring full compliance in business activities. The Group has also been endeavoring to strengthen governance by developing the Basic Policy on Sustainability and Related Policies, implementing initiatives in line with these policies, as well as checking and evaluating the progress.

Developing Sustainability-Related Policies

Status of Development in FY2023 and Future Plan

SUMINOE GROUP Human Rights Policy (formulated on June 1, 2023)

We at the SUMINOE GROUP believe that respect for human rights is an important element that forms the foundation for management in conducting global business operations.

The Company Motto of the SUMINOE GROUP upholds "cooperation," which represents the spirit of mutual improvement through the effective use of diverse personalities of employees. The Group's Code of Conduct stipulates due respect for employees' individual personalities and high importance of their health and safety. Under this motto and this code of conduct, we have strived to ensure a sound working environment where no employees are harassed or discriminated against because of their race, beliefs, religion, nationality, physical features, etc.

In addition, on June 1, 2023, we formulated the Group Philosophy, which lays out our mission: bring people- and society-friendly spaces to the world through technology and ideas that closely support people's lives. To fulfill this mission, we are aware that it is essential to pay respect not only to officers and employees of the SUMINOE GROUP but also to suppliers and other stakeholders and to build relationships of trust with them all.

We recognize that the Group may have negative impact on human rights directly or indirectly through its business activities. With this recognition, we established the SUMINOE GROUP Human Rights Policy as a basic policy that clearly displays the Group's attitude of respecting human rights of all people engaged in our business activities. In line with this Policy, we will continuously push forward with initiatives and fulfill our responsibilities with the aim of respecting human rights.

SUMINOE GROUP Human Rights Policy

1. Basic approach
2. Scope of application
3. Human rights due diligence
4. Redress and remedy
5. Governance system and in-house system
6. Education
7. Dialogue with stakeholders
8. Information disclosure



* Scan here for the full Japanese text. (English text will be published on our website in coming May.)

Basic Policy on Sustainable Procurement (preparations are under way for formulation in January 2024)

The SUMINOE GROUP considers that, in order to resolve environmental and social issues through business operations, it is indispensable that not only Group companies but also all members of the entire supply chain work in collaboration. Currently, preparations are under way to formulate the Basic Policy on Sustainable Procurement, which will guide such collaborative efforts.

Concurrently, we are making preparations to create the Guidelines for Sustainable Procurement as the common guidelines to be shared throughout the Group's supply chain.


Basic Policy on Product Safety and Quality (preparations are under way for formulation in January 2024)

The SUMINOE GROUP is making preparations for formulating the Basic Policy on Product Safety and Quality, which aims to establish quality management, ensure compliance with safety standards defined by law, and provide accurate information on products and services.

Taking advantage of the strengths of manufacturing that the Group has nurtured since its founding, we will implement measures toward realizing a sustainable society and quality improvement in pursuit of operations that enhance customer satisfaction.

CSR Plan

Focusing on our medium- and long-term "ideal corporate image," we have formulated the Medium- to Long-term Management Targets as well as the 3rd Medium-term CSR Plan (for 2021 to 2024), in which our key CSR issues are identified. To address these issues, the Group is moving ahead with various initiatives. As for our CSR initiatives, the 3rd Medium-term CSR Plan, and the results of CSR activities in fiscal 2023, please visit a webpage by scanning the 2D barcode on the right.



SDGs on Which the SUMINOE GROUP Focuses

The Group has selected the following seven goals from among the 17 Sustainable Development Goals (SDGs) as priority targets on which the Group focuses, in order to help resolve social sustainability issues through our business operations.





Results for fiscal year ended May 2023

Category	Key sustainability issues selected from the SGW challenges	Measures	Results	Related page
E (Environment)	Reduction of CO ₂ emissions, and development and distribution of products for environmental measures	① Reduce CO ₂ emissions in the business activities.	● Reduced by 36.9% as compared with FY2021 levels (basic unit), Eco Challenge 2024 target: Reduce by 3% as compared with FY2021, by FY2024 (basic unit).	P43
		② Increase volume of contribution to the reduction of CO ₂ emissions through products.	● Shipments of ECOS® series, eco-friendly carpet tiles under the horizontal recycling system (recycled material ratio of 84%): 111.2% compared with previous FY	-
		③ Develop and sell environmentally friendly products.	● Number of developed products/technologies Interior Fittings: 2, Automotive Textiles:1, Traffic Facilities: 1, Total: 4	P45
S (Social)	Safe and secure work environment	④ Review, transmit, educate and disseminate our human rights policy.	● Formulated the SUMINOE GROUP Human Rights Policy (June 2023).	P38
		⑤ Conduct training for the prevention of harassment.	● Conducted training for the prevention of moral harassment (five Group companies in Japan).	P48
		⑥ Eliminate occupational accidents.	● Rate of lost-worktime injuries Result: 1.39 Target: 1.0	P52
		⑦ Acquire "Certified Health & Productivity Management Outstanding Organizations."	● Promoted work-life balance, implemented measures against lifestyle-related diseases, etc., measures against mental health problems, and activities to raise health improvement awareness.	P51
	Participation and cultivation of diverse human resources	⑧ Teleworking and off-peak commuting system	● Introduced regulations on work from home and the staggered working hours system (three Group companies in Japan).	//
		⑨ Support for life-work balance (work, childrearing and nursing care)	● Rate of employees taking childcare leave Male: 16.7%, female: 100% (Suminoe Textile Co., Ltd., SUMINOE Co., Ltd.)	//
		⑩ Paid leave by the hour, flex-time system	● Discussed the introduction of an attendance management system.	-
		⑪ Promote women's participation.	● Ratio of new female graduates hired: 48.7%, ratio of female managers: 5.1% (17 Group companies in Japan)	P51
		⑫ Employ people with disabilities.	● Employment rate of people with disabilities: 1.6% (17 Group companies in Japan)	-
		⑬ Employ foreign workers.	● Number of present foreign employees: 24 (including 10 newly hired employees) (17 Group companies in Japan)	-
		⑭ Participation of senior employees	● Re-employment rate: 89.4% (17 Group companies in Japan)	-
		⑮ Education for human resources (IT literacy, education for corresponding stages, etc.)	● Level-based, role-based, and skill improvement training: 312 participants, correspondence course and language training: 130 participants Total: 442 participants	P48
		⑯ Career self-declaration system	● Instituted the career self-declaration system at Suminoe Textile Co., Ltd. (June 2023).	//
		⑰ Job rotation	● Implemented personnel transfer within and beyond the department.	-
	Improvement of corporate brand value	⑱ Dissemination of corporate philosophy and management policy, and the progress will be shared.	● Launched the "Shin Mirai (lit. new future) Project" for promoting branding and formulated the SUMINOE GROUP Philosophy (June 2023).	P49
		⑲ Consider the timely disclosure of information and transmit it.	● Disclosed information via the web and through the in-house intranet, as required.	-
		⑳ Communication between departments	● Implemented the <i>Tsunagu</i> meeting and <i>Tsunagu-wa-cation</i> .	P50
		㉑ Contribution in cases of disasters	● Domestic sites: 0, overseas sites: 0	-
㉒ Support and donation for poverty and starvation		● Domestic sites: 0, overseas sites: 3	-	
㉓ Restructure the core systems.		● A production management system and a receivables/payables management system being introduced in sequence	P58, 60	
G (Governance)	Enhancement of governance	㉔ Promote interactive in-house communication through top management's frequent visits to workplaces.	● Number of top management visits: eight domestic sites, one overseas site (between October 2022 and July 2023)	P58
		㉕ Continue to conduct compliance training.	● Conducted training for officers and executive employees. ● Conducted training for young employees and level-based training offered at every promotion, on such topics as compliance, work-related laws and regulations, and occupational health and safety.	P48, 61
		㉖ Further disseminate "Corporate ethics hotline."	● Continuously announced the whistleblowing contact points for consultation.	-
		㉗ Strengthen global risk management.	● Started full-scale operation of the production management system. ● Revised a risk management manual, "Crisis Response Manual on Overseas Assignment."	P60
		㉘ BCP action plan	● Established in-house emergency contact routes and implemented personal safety confirmation drills.	//

Regarding the key performance indicators (KPIs) for the key sustainability issues in the SGW challenges, we are planning to establish the KPIs in the course of identifying the Group's materiality (key issues) in the future.

E Environment

Under the Slogan of KKR+A



As an industry pioneer, the SUMINOE GROUP has pushed forward with the development and application of advanced technologies that are friendly to human health and the environment. In 1998, the Group announced “KKR+A (Kenko [Health], Kankyo [Environment], Recycling and Amenity)” along with the Interior Environment Improvement Declaration. Since then, under its fundamental development philosophy “KKR+A,” the Group has been working on research and development of technologies and products that are friendly to people and the environment while promoting interior environment improvement and utilization of recycled materials. The Group also upholds the Fundamental Environmental Philosophy, to be followed in all aspects of our business operations. We have been positively tackling environmental preservation activities, including decreasing our impact on the environment, in accordance with the Activity Guidelines and activity goals. In April 2022, we announced the Second SUMINOE Environmental Declaration, which aims to ensure that our products will be used by many more people and to promote “KKR+A” around the world through implementation of global strategies. The entire SUMINOE GROUP will make concerted efforts to accomplish these objectives.

Fundamental Environmental Philosophy

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

Second SUMINOE Environmental Declaration

1 We shall provide healthy and environmentally friendly products.

We will provide safe and secure products to our customers by properly managing chemical substances used in our products based on the Green Procurement Guidelines regarding legal regulations and restrictions on materials used in products.

2 We shall work to prevent global warming.

We will promote the effective use of resources by reducing losses of primary materials, auxiliary materials, water, and energy occurring in the production process. We will also update energy-saving facilities constantly, improve product quality, reduce the weight of products, simplify packaging and reduce its weight. At the same time, we will strive to increase the efficiency of transportation of materials and products, material utilization, and waste disposal during manufacturing, thereby promoting resource and energy conservation throughout the supply chain.

3 We shall address the circulating society.

To contribute to the reduction of industrial waste and the recycling of resources in the life cycle of products, we will actively use recycled materials as part of our efforts to promote environmental conservation and the efficient use of resources.

4 We shall promote the reduction of CO₂ emissions.

To play a part in realizing a decarbonized society, we will develop and provide low-carbon products based on the Life Cycle Assessment (LCA) method. LCA is intended to comprehensively and quantitatively evaluate the impact of manufacturing activities on the environment while taking into consideration the entire life cycle of products – materials, manufacturing, transportation, use, and disposal.

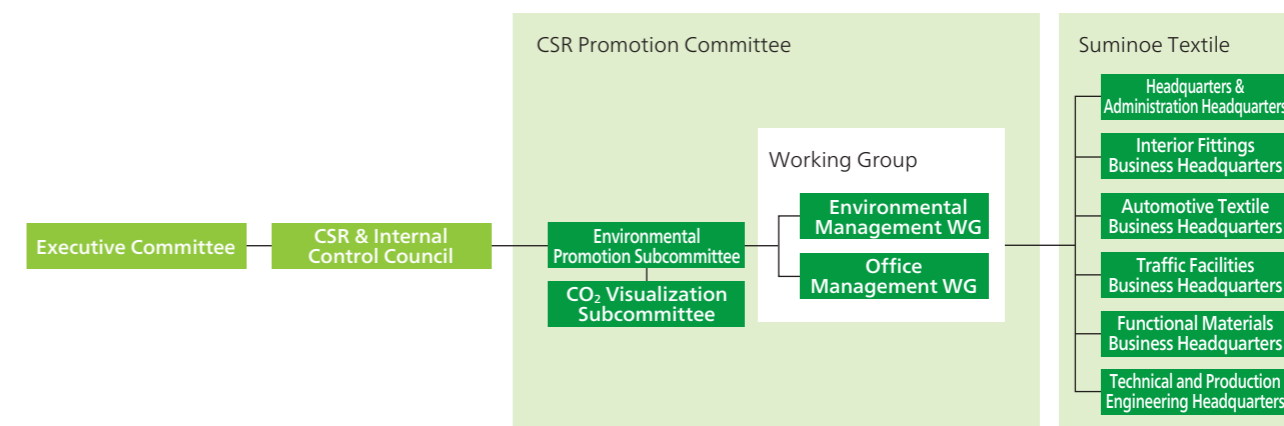
Activity Guidelines

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 interior 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 2001, 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.

	ISO 14001: 2015			Eco Action 21: 2017
	Nara Factory, Shiga Factory	Teijin Teclath Ltd.	Owari Seisen Co., Ltd.: Head Office Factory, Ishikawa Factory	TANGO TEXTILE Co., Ltd.
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	7th renewal completed (May 2021)	7th renewal completed (April 2022)	7th renewal completed (July 2023)	5th renewal completed (July 2023)

E Environment

Initiatives to Address Climate Change Issues

Target for reducing greenhouse gas emissions

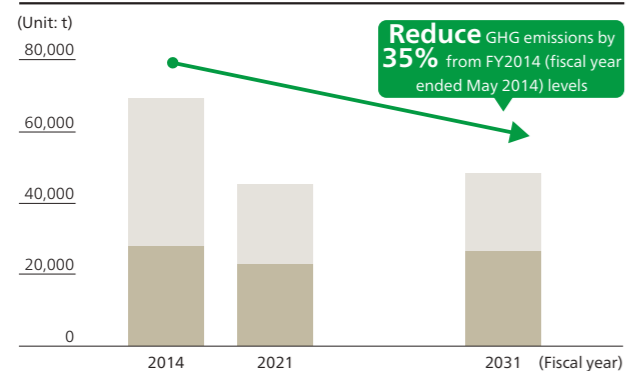
In accordance with the policy of the Medium- to Long-term Management Targets "SUMINOE GROUP WAY 2022-2024-2027," the Group established its long-term target for reducing greenhouse gas (CO₂) emissions in April 2022.

Specifically, by FY2031 (fiscal year ending May 2031) all the Group companies will strive to reduce CO₂ emissions in business activities by 35% from the levels of FY2014 (fiscal year ended May 2014).

To promote the reduction of CO₂ emissions resulting from our business activities, we will implement concrete measures, including improving logistics systems, unifying the production bases, improving energy efficiency, changing fuels used, and promoting working style reforms. In conjunction with these measures, we will strive to expand sales of environmentally friendly products. Through these two approaches, the Group will contribute to the realization of a decarbonized society.

Target for reducing greenhouse gas (CO₂) emissions*

■ Scope1: Direct greenhouse gas (GHG) emissions from the Group's business operations
 ■ Scope2: Indirect GHG emissions from the use of electricity, heat, etc. supplied by others



■ As for Scope 3 emissions (Indirect emissions that are generated by other companies related to the Group's business operations, excluding Scopes 1 and 2), the calculation is currently under way.
 * Per unit of sales

Information disclosure in alignment with the TCFD recommendations

In July 2022, the Group declared its support for the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). We will disclose the Group's information on climate change issues in alignment with the TCFD recommendations.

1. Governance

The Group has established the following governance system. The Environmental Promotion Subcommittee set up within the CSR Promotion Committee, which comprises members from respective business headquarters and departments, draws up a plan for measures to address environmental challenges as a whole, including climate change issues. The CSR Promotion Committee deliberates on and finalizes the plan, which is implemented in all

departments throughout the Group. The matters deliberated on and decided by the CSR Promotion Committee are reported to the CSR & Internal Control Council (Executive Committee) to obtain approval.

We have also formulated "Eco Challenge," as a set of goals on activities regarding environmental issues in general, established in line with the Medium- to Long-term Management Targets. The Group strives to achieve Eco Challenge goals to reduce environmental impact from its business operations. Each fiscal year, the activity results are evaluated and reported via this Report, etc.

In addition, in May 2021 we launched the CO₂ Visualization Subcommittee as an organ tasked with grasping and analyzing the Group's overall greenhouse gas emissions and designing strategies for reducing these emissions.

2. Strategy

To reduce environmental impact that may arise from our business operations, we have formulated "Eco Challenge," a set of goals on activities regarding environmental issues in general, in line with the Medium- to Long-term Management Targets. For three years from FY2022 to FY2024, we have worked on "Eco Challenge 2024," under the policy of the Medium- to Long-term Management Targets "SUMINOE GROUP WAY 2022-2024-2027."

In April 2022, we established the Suminoe Textile Group's Target for Reducing Greenhouse Gas Emissions to set up our long-term target for reducing greenhouse gas (CO₂) emissions. At the core of the Group's development philosophy is the development of environmentally friendly products. Efforts to develop and increase sales of these products will provide us with an opportunity associated with the transition to a decarbonized society. With this recognition, we will further intensify and focus on these efforts.

3. Risk management

With regard to climate change-related risks, the Environmental Promotion Subcommittee plays a central role in the formulation of relevant policies and strategies to minimize risks and seize opportunities, and in management of activity monitoring.

4. Metrics and targets

① Eco Challenge 2024

Eco Challenge 2024 covers the three years from FY2022 to 2024 and aims to reduce CO₂ emissions by 3% from the levels of FY2021 (per unit of sales).

② The Suminoe Textile Group's Target for Reducing Greenhouse Gas Emissions

By FY2031 (fiscal year ending May 2031), the Group aims to reduce CO₂ emissions (per unit of sales) resulting from business activities by 35% from the levels of FY2014.

In the Group's Target for Reducing Greenhouse Gas Emissions, Scopes 1 and 2 emissions are used as metrics.

As for Scope 3, we started calculation of emissions from the six major Group companies in Japan. As the first step toward reducing Scope 3 GHG emissions, we will figure out the actual situations of these six companies and discuss specific measures.

Analysis of impacts on the Group based on the TCFD final report

We have analyzed impacts that climate change-related risks and opportunities will have on the Group's business and financial performance.

Examples of climate change-related risks/opportunities according to the TCFD final report		Analysis of impacts on the Group ^{*1}			
Category of risks/opportunities	Major aspects/viewpoints	2°C or lower scenario ^{*2}	4°C scenario ^{*3}	Example of potential impacts	
Risks Transition risks Risks associated with the "transition" to low-carbon economy	Policy and legal risks	• Stricter regulations on GHG emissions • Expanded obligations to disclose information	↑	↗	• Increased costs for switching to renewable energies and energy-saving equipment • Increased costs related to information disclosure
	Technology risks	• Replacement of existing products with lower-carbon technology options • Introduction of new technologies	↑	↗	• Write-offs and early retirement of existing assets • Increased costs for system changes and introduction of new processes • Increased workload in business operations, for modification management, etc.
	Market risks	• Changing customer behavior • Uncertainty in market signals (greater difficulty in forecasting market movements with conventional ways of thinking) • Increased cost of raw materials	↗	→	• Shift in consumer preferences and reduced demand, resulting in decreased revenues • Increased production costs • Increased costs for waste treatment
	Reputation risks	• Shifts in consumer preferences • Stigmatization of the sector that makes less contribution to low-carbonization • Increased stakeholder concern or negative stakeholder feedback	↗	→	• Decreased demand and revenues due to changes in the company image perceived by consumers • Increased measures to address stakeholder feedback regarding the company's response to climate change
Physical risks Risks associated with "physical" changes caused by climate change	Acute risks	• Increased severity and number of extreme weather events such as cyclones and floods	↗	↑	• Decreased capabilities for production and distribution due to ceased facility operations, interruptions of transportation means and supply chains, etc.
	Chronic risks	• Changes in precipitation and weather patterns • Rising mean temperatures • Rising sea levels	↗	↑	• Negative impacts on workforce (e.g., health, safety, absenteeism) • Increased costs of provisions for damage to facilities
Opportunities	Resource efficiency Positive impacts associated with improved efficiency in resource utilization	• More efficient production and distribution processes • More efficient modes of transportation • Use of recycling • Reduced water usage and consumption	↗	→	• Increased production capacity, resulting in increased revenues, due to efficient improvements in production and distribution processes and modes of transportation • Cost reduction resulting from improved efficiency in resource utilization related to business operation
	Energy source Positive impacts associated with a shift to low-carbon energy sources	• Use of low-carbon energy sources • Use of new technologies • Shift toward energy security and decentralized energy generation	↗	→	• Reduced exposure to fossil fuel price increases • Reduced exposure to GHG emissions and therefore less sensitivity to changes in social cost of carbon
	Products and services Positive impacts associated with the needs of a low-carbon society	• Development and/or expansion of low-carbon goods and services • Development of new products or services through R&D and innovation • Diversified business activities and a shift in consumer preferences	↑	↗	• Increased revenues through satisfying demand for products that emit fewer GHG emissions • Better competitive position to reflect shifting consumer preferences, resulting in increased revenues
	Market Positive impacts associated with changes in the market and economy due to the trend toward a low-carbon society	• Access to new markets	↑	↗	• Increased revenues through business expansion into new and emerging markets
	Resilience Positive impacts associated with resilience to climate change	• Promotion of renewable energy programs and energy-saving measures • Resource substitutes/diversification • Increased reliability of supply chain	↑	↗	• Increased corporate valuation due to resilience to climate change (resilience plan contents, establishment of a stable supply chain, diversity of alternative resources, etc.)

*1 The directions of respective arrows indicate that potential business and financial impacts will be ↑: Very significant ↗: Somewhat significant →: Insignificant
 *2 2°C or lower scenario: A scenario where strict measures, including implementation of bold policies and promotion of technological innovations, are taken to reduce CO₂ and other GHG emissions so that the increase in the global average temperature by 2100 is limited to less than 2°C above pre-industrial levels.
 *3 4°C scenario: A scenario where the current measures against climate change go unchanged globally so that the average temperature rises around 4°C above pre-industrial levels. Natural disasters continue to worsen, resulting in an increase in risks such as extreme weather events.

Initiatives to reduce greenhouse gas emissions

Reducing GHG emissions from business activities

In fiscal year ended May 2022, the Group completed energy conversion at overseas and domestic bases and reorganization of two factories of Suminoe Techno Co., Ltd., resulting in improved efficiency of production and logistics. In fiscal year ended May 2023, we introduced photovoltaic power generation systems into some overseas production sites to promote renewable energy use. In this manner, initiatives are under way to reduce greenhouse gas emissions from business activities.

Contribution by products

Chief among the Group's environmentally friendly products are the ECOS® series, eco-friendly carpet tiles under the horizontal recycling system, and ECONIX, a car seat covering material that utilizes スミترون® (SUMITRON) yarn made from recycled chips. These eco-friendly products have steadily come into widespread use and continue to penetrate.

By expanding sales of these products and further improving the recycled material ratio, we will enhance the degree of contribution by our products in reducing greenhouse gas emissions.

E Environment

Eco Challenge 2024

Business activities undertaken by the SUMINOE 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 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. To promote sustainability, we place focus on environmental conservation, and Group-wide efforts are underway to achieve the goals set under Eco Challenge 2024.

Eco Challenge 2024

As a set of goals on environmental activities, we have formulated Eco Challenge 2024, which covers the three years from fiscal 2022 to 2024.

Activity Goals and Fiscal 2023 Results

	Work areas	Index	Final numerical targets	Base FY	FY2023 numerical targets	FY2023 results	Evaluation
1	Prevention of global warming	Reduction of CO ₂ emissions (energy consumption)	Reduce by 3% (basic unit).	2021	Reduce by 2% (basic unit).	Reduced by 36.9% (basic unit).	○
2	Resources conservation	Increase in utilization rate of recycled resources (major factories in Japan ^{*1})	Increase 3%.	2021	Increase by 2%.	Increased by 24.5%.	○
3	3Rs regarding waste material	Reduction of industrial waste	Reduce by 3% (basic unit).	2021	Reduce by 2% (basic unit).	Reduced by 19.1%.	○
		Increase in recycling rate	65% or more	—	65% or more	39.4%	△
		Reduction in rate of waste disposed of in landfills	10% or less	—	10% or less	36.3%	△
4	Prevention of environmental pollution	Reduction of air pollution (reduction of N ₂ O emissions)	Reduce by 3% (basic unit).	2021	Reduce by 2% (basic unit).	Reduced by 23.3% (basic unit).	○
5	Promotion of green activities	Increase in green purchasing rate for office supplies (in Japan)	95% or more	—	95% or more	89.2%	△
6	Promotion of LCA assessment for products ^{*2}		Perform LCA for 18 items.	—	12 items	40 items	○
7	Promotion of development of environment-friendly technologies ^{*2}		3 cases	—	2 cases	1 case	△
	Promotion of development of environment-friendly products ^{*2}		9 cases	—	6 cases	7 cases	○
8	Promotion of biodiversity preservation in business activities		—	—	—	—	—

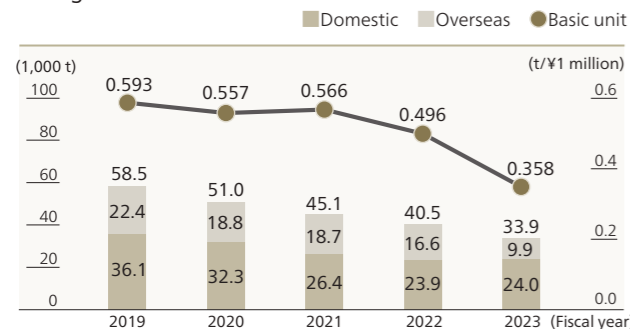
Basic unit: Consolidated sales used as a denominator for calculation
 Emission factor: For domestic factories, the amounts of CO₂ and N₂O emissions are calculated based on an emission factor set in accordance with the law to promote measures against global warming. For overseas factories, the calculation is based on an emission factor set for each country in the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
^{*1} Major factories in Japan: Shiga Factory and Nara Factory Suminoe Techno Co., Ltd., Teijin Teclath Ltd., and Head Office Factory and Ishikawa Factory Owari Seisen Co., Ltd.
^{*2} The figures for targets and results are cumulative totals from FY2022 to FY2023.

Results for fiscal 2023

① Prevention of Global Warming

We assess the impact of our corporate activities on global warming based on CO₂ emissions.

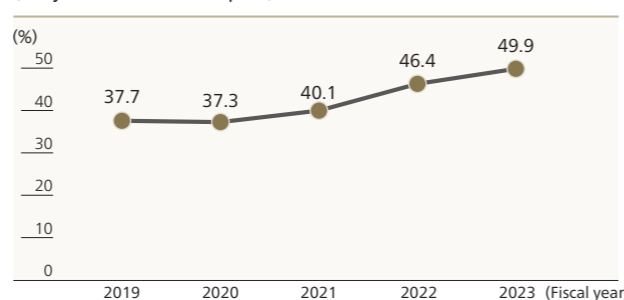
Change in CO₂ emissions



② Resources Conservation

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

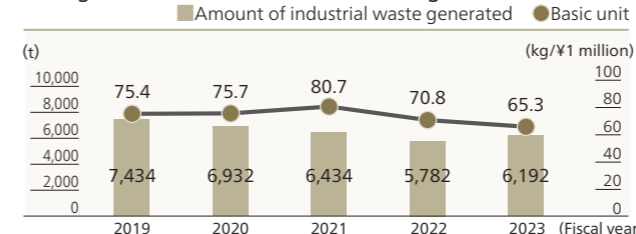
Changes in utilization rate of recycled resources (Major factories in Japan)



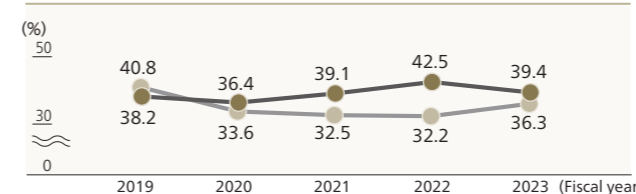
③ 3Rs regarding Waste Material

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.

Changes in amount of industrial waste generated



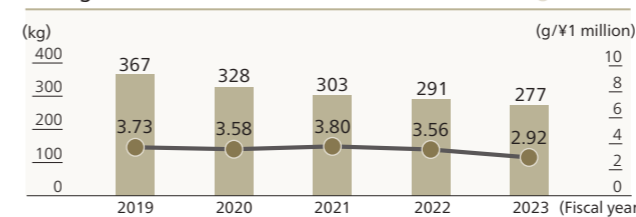
Changes in recycling rate and rate of waste disposed of in landfills



④ Prevention of Environmental Pollution

Among atmospheric contaminants, nitrous oxide (N₂O) is used here as an example to explain the situation of air pollution.

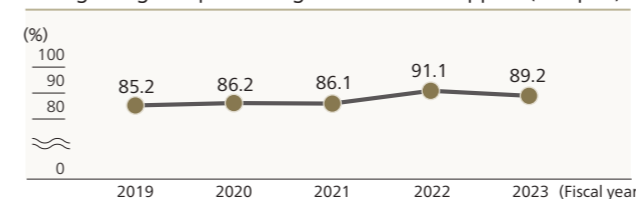
Changes in N₂O emissions



⑤ Promotion of Green Activities

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

Changes in green purchasing rate for office supplies (in Japan)



⑥ Promotion of LCA* Assessment for Products

We have conducted in-house LCA assessments for our products since fiscal 2016. Between fiscal 2022 and 2023, we carried out LCA assessments for 40 items.

* LCA: Stands for lifecycle assessment. LCA is a method to quantitatively evaluate the resources used to produce a product at each stage of its lifecycle—from raw material procurement, manufacturing, distribution and use to disposal—as well as its load on the environment, and also the potential environmental impact that the product and resources may have on the Earth and ecosystems.

⑦ Promotion of Development of Environment-Friendly Technologies and Products

- Promotion of Development of Environment-Friendly Products
- 1) ECOS NEO™ series of carpet tiles, which achieves a recycled material ratio of 81% by using recycled materials on the pile surface and the backing
- 2) SORAIRO, a rug made of 50% recycled wool
- 3) ECONIX, a seat covering material that utilizes スミトロン® (SUMITRON), which is eco-friendly yarn made from recycled chips
- 4) ECOS-US3000 and ECOS-MD8500 series of carpet tiles for railroad vehicles, featuring a backing created by using ECOS® specifications

⑧ Environmental Activities for Preserving Biodiversity in Business Operations

- Activity Policy
- 1) Reduction of impact on biodiversity from business activities
 - Monitoring the situation on biodiversity around factories and their vicinity
 - Using locally-grown native species, not nonnative species, for tree planting
 - Periodically cleaning areas near factories and improving environmental conditions there by weeding out grass
 - Checking sustainability when biological resources are used as product material
 - Promoting development of products with recycled material and building a recycling system to manufacture such products
 - Incorporating activities for biodiversity preservation into an environmental management system
 - Promoting new measures that are possible at each factory for preservation of biodiversity
- 2) Activities to seek suppliers' cooperation in reducing impact on biodiversity across the entire supply chain
 - Seeking cooperation from suppliers in observing green purchase guidelines to promote our efforts to preserve biodiversity
- 3) Social contribution activities
 - Supporting groups engaging in forestry preservation activities
 - Supporting green charity activities

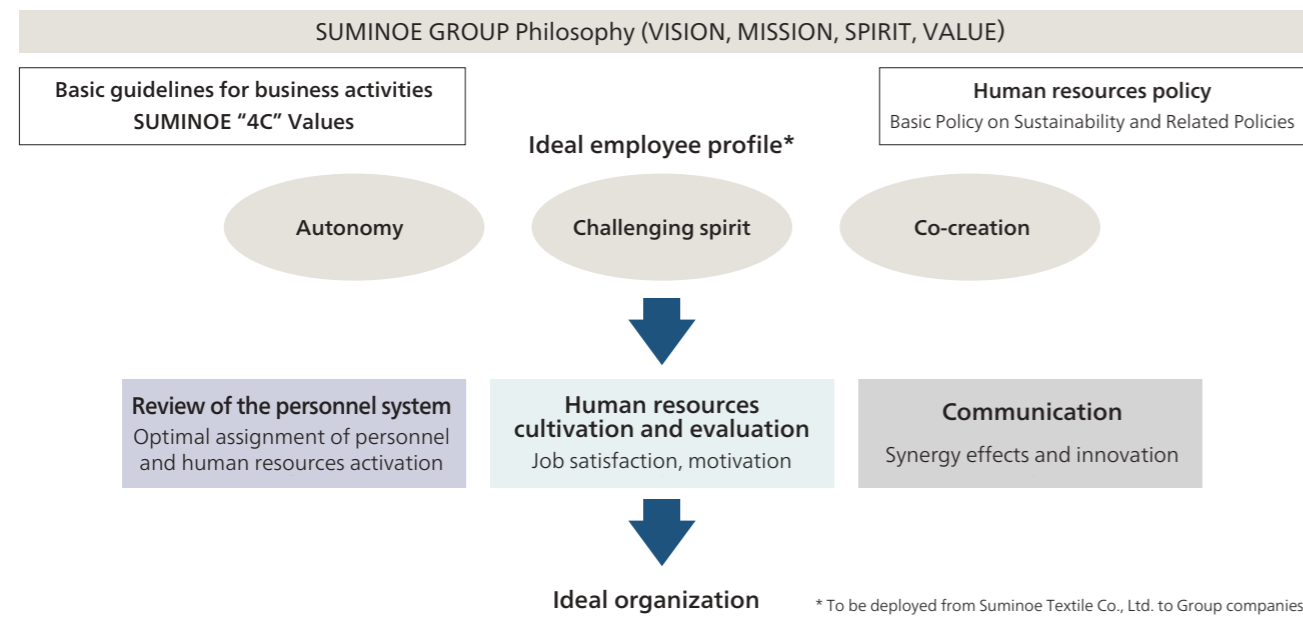
● Activity Results

Each factory has been implementing activities, taking advantage of the regional characteristics.

Factory	Activity
Nara Factory of Suminoe Textile Co., Ltd.	Participating in the Ando Ouyu-Kai, an association that works to develop a cherry tree-lined promenade in the area along the Okazaki River
Shiga Factory of Suminoe Techno Co., Ltd.	Propagating the Sasayuri lily on the factory premises
Factory at the head office of Owari Seisen Co., Ltd.	Helping protect fireflies as a supporting member of the Ichinomiya Heisei Firefly Association

Human Capital

Human resources strategies to create an ideal organization



Initiatives to realize an ideal organization

* ●...Implemented in FY2023, ○...To be implemented in FY2024 and onward

Category	Details	Theme	Initiatives*
Group Philosophy	<ul style="list-style-type: none"> Behavioral changes of officers and employees 	<ul style="list-style-type: none"> Understanding and penetration of the Group Philosophy 	<ul style="list-style-type: none"> ○ Implement training on Group Philosophy. ○ Incorporate the Philosophy into the MISSION of segments, departments, and individual employees.
Review of personnel system	<ul style="list-style-type: none"> Human resources visualization, optimal arrangement of personnel, and human resources activation Development of a challenging spirit Realization of diverse working styles 	<ul style="list-style-type: none"> Diversification of working styles 	<ul style="list-style-type: none"> ● Regulations on work from home and staggered work hours systems ○ Career self-declaration system (p. 48) ○ Limited area employee system
Cultivation and evaluation of human resources	<ul style="list-style-type: none"> Improvement of individual employees' skills Strengthening of leadership capabilities Cultivation of global human resources Creation of job satisfaction and motivation 	<ul style="list-style-type: none"> Development of human resources with professional and creative personalities Fair evaluation and treatment 	<ul style="list-style-type: none"> ● Skill Improvement Training (p. 48) ● Language training ○ Training for enhancing management capability ○ Review of the evaluation system
Communication	<ul style="list-style-type: none"> Sharing of information, know-how, and challenges Reinforcement of inter-departmental cooperation systems Maximization of synergy effects Preservation and succession of skills and development of successors 	<ul style="list-style-type: none"> Activation of "horizontal relationships" Information sharing between officers and employees 	<ul style="list-style-type: none"> ● <i>Tsunagu-wa-cation</i> (p. 50) ● <i>Tsunagu-meeting</i> (p. 50) ● Management by Walking Around (p. 58)
Diversity and inclusion	<ul style="list-style-type: none"> Acceptance of diversity of human resources Respect for individuals and their participation 	<ul style="list-style-type: none"> Women's career development Participation and cultivation of diverse human resources 	<ul style="list-style-type: none"> ● Promote women's participation (p. 51) ● Promote participation of senior employees
Health Management Work-life balance	<ul style="list-style-type: none"> Improvement of employees' well-being Improvement of labor productivity 	<ul style="list-style-type: none"> Mental and physical health of employees 	<ul style="list-style-type: none"> ● Measures against lifestyle-related diseases and mental health problems ● Establishment of contact points for health counseling services ○ Working Style Reform Action Plan 2023 (p. 52)

Review of the ideal employee profile

Reviewing the ideal employee profile

The SUMINOE GROUP considers human resources to be the source of sustainable corporate growth and the most important assets. In this age of uncertainties, it is difficult to predict what will happen in the future. In this context, Suminoe Textile Co., Ltd. strives to achieve sustainable growth of employees and the Company. As part of its efforts to activate and cultivate human resources, the Company reviewed the ideal employee profile for Suminoe Textile. From the fiscal year ended May 2022 to the fiscal year ended May 2023, we conducted interviews with the President and officers and questionnaire surveys of department managers. Based on the results of these interviews and surveys, the Company defined "autonomy," "challenging spirit" and "co-creation" as the elements of the profile.

Going forward, we will improve our education system and training programs with a central focus on "autonomy," "challenging spirit" and "co-creation" so as to enable individual employees to improve and exhibit their capabilities. In doing so, we will nurture human resources who can help us to achieve the Medium- to Long-term Management Targets and appropriately adapt to future times. We will also place emphasis on education of managers, who play vital roles in making maximum use of our "people" and "organization."

Ideal employee profile for Suminoe Textile Co., Ltd.

Autonomy	Persons who can think by themselves and act autonomously
Challenging spirit	Persons who can take on higher roles, without fear of changing, from diverse perspectives
Co-creation	Persons who can create new value in collaboration with others, through many dialogues

Initiatives for career development of employees

Establishing the career self-declaration system

Suminoe Textiles Co., Ltd. launched the career self-declaration system on June 1, 2023. Under this system, employees can declare to the Company what kind of career path they wish to pursue on a short- and long-term basis in the future (e.g., jobs they wish to experience or dare to perform). The system is intended to cultivate autonomous human resources by encouraging employees to think about their future career and to proactively engage in their jobs and to provide employees with opportunities to better display their abilities, thereby improving job satisfaction. Another purpose of the system is to help utilize human resources and revitalize the organization by putting the right person in the right job and by reducing voluntary turnover due to mismatched assignment. We will continue to carry out initiatives for human capital maximization.

Improving skills of employees

Implementing skill improvement training

To promote personal growth of all SUMINOE GROUP employees, we implement education and training programs throughout the Group. We provide not only level-based and role-based training but also skill improvement training on various themes for voluntary participants. The themes selected for this fiscal year were as follows: "Effective use of Excel and PowerPoint for work efficiency enhancement," which was designed to improve work efficiency in day-to-day tasks; "Nikkei information utilization course" to learn about an efficient information gathering method using the Nihon Keizai Shimbun newspaper; and "Leadership improvement to gain more influence" for middle-level employees. Going forward, we will offer various themes to improve the skills of employees.

Education system

	Level-based	Role-based	Selective	Selective (for self-development)
	Collective training			
Managers	Management training	Evaluator training	OJT Instructor training	
Mid-career employees	Supervisor training			Correspondence course
	Leader training			Language training
Young employees	Training for third-year employees			
	Training for second-year employees			
	Training for new employees			
			Skill improvement training (theme-based)	

Number of employees taking training FY2023

Training type	Total	Male	Female
Level-based, role-based, skill improvement collective training	312	213	99
Correspondence course, language training	130	84	46

Measures against harassment

Implementing harassment prevention training

The Group provides training aimed at creating a comfortable work environment and eliminating harassment. This fiscal year, moral harassment was selected as the training theme. Approximately 70% of 1,017 employees working for five Group companies took part in the training. What is most important for a company to prevent harassment is to create such a corporate culture. Based on this idea, the Group will continuously conduct anti-harassment training.

S Social

Omnidirectional Communication

The Group has set “omnidirectional communication” as one of its Medium- to Long-term Management Targets. To achieve this target, we plan to disseminate the Group Philosophy and management policy and implement activities to promote communication between departments.

“Shin Mirai Project” for promoting branding

In July 2022, we launched the *Shin Mirai* (lit. new future) Project, which aims to newly formulate the Group Philosophy (VISION, MISSION and VALUE) as the guidelines for all the SUMINOE GROUP members to follow in conducting business with a sense of unity and oneness, toward enhancing the Group’s medium- to long-term corporate value.



Project activities

Item implemented	Purpose
Questionnaire surveys of all Group employees	Identify the Group’s strengths, weaknesses and unique features
Interviews with the President and officers	History, strengths, current challenges, and future outlook
Workshop	Value creation and the concept of VISION

Through the project activities, we re-defined the SUMINOE GROUP’s strengths and the value offered by the Group as follows:

Strengths of the SUMINOE GROUP

- Technology and development capabilities to create new value with our foresight
- Trust established over 140 years of history and track record
- A sense of mission to create people- and earth-friendly lifestyles, starting from interior spaces around us

Value offered by the SUMINOE GROUP

- Produce a virtuous cycle of co-creation by co-creating “social value” with customers and consumers and continuing to meet social needs.
- Create new value through unconventional technologies and products by generating interdepartmental synergies, and support society by “functional and comfortable space itself.”
- Create new value in the field of space creation, taking advantage of the Group’s unique strengths— technologies, expertise, trust and relationships with customers—that it has cultivated, and consequently improve people’s quality of living.

Based on these strengths and value that the Group offers, we formulated the Group Philosophy as well as the unified Group logo and tagline, looking ahead to the future.

Through about one-year of branding activities, all Group officers and employees had opportunities to reconsider what kind of value the Group should provide to society.

By sharing the Group Philosophy with stakeholders and earning their empathy, we aim to enhance our brand value, which will lead to new growth of the Group. To this end, we will continue Group-wide efforts to penetrate the SUMINOE GROUP brand.

Topics

Unified Group logo



Meaning of the seahorse mark

The new logo was designed based on the previous logo of Suminoe Textile Co., Ltd. It symbolizes a seahorse proudly going forward into the future while cherishing tradition. The four diamonds represent a sparking ocean while indicating the Group’s “four businesses,” which create spaces as well as rays of light spreading into the four quarters of the globe.

Tagline

“Bring innovation to all kinds of spaces”

This tagline expresses our determination to advance forward to accomplish the Group’s mission of bringing people- and society-friendly spaces to the world through technology and ideas that closely support people’s lives.



Employees working on the project

Tsunagu-wa-cation

To maximize synergies of the SUMINOE GROUP

In order to develop our one-of-a-kind technologies and products and eventually create social and economic value, we believe that it is essential to maximize synergies of the entire SUMINOE GROUP by sharing and coordinating technologies and ideas between and among different business segments and Group companies. This requires us to change the organizational structure from a conventional “vertical” structure to a structure focusing on “horizontal relationships.” To this end, we are promoting initiatives to facilitate “communication between departments.”

In the fiscal year ended May 2023, we held “Tsunagu-wa-cation” events respectively for design staff and sales staff in order to promote exchange between Group companies. As for the “Tsunagu-wa-cation” events for design staff, around 40 designers participated from each business segment, with the objective of gaining inspiration for better designs and manufacturing practice. These participating designers exchanged information on their respective business environments and results. They also received input on the latest trends in overseas interiors through a special seminar, which inspired them to come up with new design ideas. For sales staff events, about 30 young employees in their 20s and 30s participated from the Kanto and Kansai districts. They exchanged information regarding products handled by each department, sales methods, customers and the industry. The event provided participants with an opportunity to deepen their understanding of the SUMINOE GROUP on the theme of “Sales” and consider sales activities, taking into account cooperation within their own departments as well as cooperation with other departments.

We are planning to hold “Tsunagu-wa-cation” events for other various departments and job categories, with the aim of maximizing the SUMINOE GROUP’s synergies.

* Definition of the Group’s “Wa-cation”: A means of creating new value by enhancing synergies through communication in an environment that is different from usual. The Group coined this word by combining the Japanese word “Wa (lit. a circle),” “work,” and “communication.”



Tsunagu-wa-cation (exchange event for design staff)

Tsunagu-meeting

Two-way communication between officers and employees

As part of its efforts to promote omnidirectional communication, Suminoe Textile Co., Ltd. held roundtable meetings at which the President and officers of the Administration Headquarters talked with employees grouped by age bracket. These meetings, called “Tsunagu-meetings,” are intended to connect (*Tsunagu* in Japanese) top management and employees through direct conversations to exchange thoughts and feelings to ensure that the SUMINOE GROUP will continue to develop into a better enterprise in the business environment that is changing rapidly and significantly.

At these meetings, each age group of employees actively exchanged opinions with top management. In many cases, they talked about human resources-related topics, such as domestic and overseas human resources development, management by managers, and an ideal personnel evaluation system that improves employee motivation. Other various opinions were also advanced, including the sharing of the Company’s vision, development of new products and technologies, planning of Group-wide strategies, and maximization of synergies through cross-departmental communication. About the advantages and drawbacks of the Group, top management and employees engaged in frank exchanges of views face-to-face, and the contents of conversations were disclosed to and shared with employees of other age brackets so that all employees were able to have common recognition.

Going forward, we will summarize the issues identified through these meetings and discuss measures to address these issues in order to help create workplaces for employee happiness and build a foundation for growth of the SUMINOE GROUP.

Impressions after participating in the Tsunagu-meetings

President and officers of the Administration Headquarters

It was significantly meaningful to be able to hear candid opinions and views from so many employees of each age bracket. We realized that young employees hoped to work for the betterment of the Company and for their personal growth. We also felt that employees in higher age groups were more knowledgeable about the Company’s advantages and drawbacks. By seriously considering the views and ways of thinking of employees in each age group, we will reflect the input from employees in discussing future measures to be taken.

Employees

Despite a few opportunities for communication, the *Tsunagu-meetings* allowed us to directly exchange opinions with officers and talk about what we had in mind. It was a precious moment for us. We were also able to fully understand top management’s way of thinking and the Company’s future direction. We hope that there will be many more opportunities for this kind of communication in the future.

Diversity and Inclusion

In keeping with the Basic Policy on Diversity and Inclusion formulated in June 2022, we carry out initiative to facilitate the acceptance of diversity of human resources and foster respect for individuals and their participation.

Promoting women's participation

SUMINOE GROUP's activities to promote women's participation

To promote women's participation, the Group takes a two-axis approach—encouraging female employees to develop their career (training and appointment) and supporting them in continuing to work (work-life balance). We strive to create a work environment where both male and female employees can play active roles.

Results of women's empowerment initiatives
(Group companies in Japan) As of the end of May each year

Item		2022	2023
Number of new graduates hired	Male	17	21
	Female	19	20
Ratio of female managers (%) ^{*1}		5.3	5.1
Male-female wage disparities (%) ^{*2}	All employees		73.0
	Regular employees		75.8
	Part-time employees		68.5

*1 Percentage of female employees whose positions correspond to section chief or higher at the Group companies in Japan

*2 Data for Suminoe Textile Co., Ltd. only

Suminoe Textile Co., Ltd. and five Group companies in Japan analyzed the issues of respective companies. Reflecting the analysis results, each company established its action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace. The activities and targets specified under these action plans are disclosed to the public.*

* Published in: Database on Promotion of Women's Participation and Advancement in the Workplace, run by the Ministry of Health, Labour and Welfare

Numerical targets set in action plans based on the Act on Promotion of Women's Participation and Advancement in the Workplace, and activity results FY2023 results

Company	Item	Targets	Results
Suminoe Textile Co., Ltd.	Ratio of new female graduates hired (%)	35 or higher	45
	Ratio of employees taking childcare leave by sex (%)	Male: 25 or higher Female: 100	16.7 100
SUMINOE Co., Ltd.	Ratio of new female graduates hired (%)	40 or higher	55.6
	Ratio of employees taking childcare leave by sex (%)	Male: 25 or higher Female: 100	16.7 100
RUNON CO., LTD.	Increase in No. of female managers	Increase one or more	0
	Monthly average overtime hours (h)	Within 40	8.9
Suminoe Techno Co., Ltd.	Gender difference in length of continuous service	Within 2 years	1 year and 1 month
Suminoe Logistics Co., Ltd.	Ratio of female managers (%)	30 or higher	30.8
Owari Seisen Co., Ltd.	Monthly average overtime hours (h)	Within 20	1.4

As part of our initiatives to promote women's participation, the Company annually dispatches two female managers and two female manager candidates to participate in women's empowerment support programs held by an external organization. We believe that the forum will provide these female employees with a great opportunity to acquire knowledge and skills required to work as managers and heighten their motivation for career development. It will also be a good occasion where they can gather information and think about their future visions while being exposed to more diverse views through exchange with peers outside the Company. We will implement initiatives to support female employees in continuing to enjoy their work.

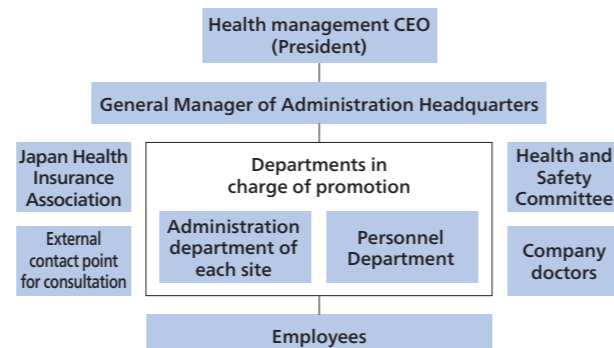
Health Management

Health management of Suminoe Textile Co., Ltd.

Suminoe Textile Co., Ltd. promotes health management based on the concept of the Group's Health Management Declaration.

Going forward, we will conduct Group-wide initiatives to strengthen health promotion activities and systems for management and evaluation, along with measures for work-life balance.

Health promotion system of Suminoe Textile Co., Ltd.



Activities implemented by Suminoe Textile Co., Ltd.

Descriptions	Activities in FY2023
Promotion of a work-life balance	<ul style="list-style-type: none"> Held a life design seminar (on basics of caregiving). Established regulations on working from home and staggered working hours system.
Measures against lifestyle-related diseases, etc.	<ul style="list-style-type: none"> Helped employees with expenses for cancer examinations and complete physical checkups. Helped employees with flu vaccination expenses. Recommended seeing a doctor to employees who were designated by Company doctors, from among those required to take a re-check or further investigation as a result of health checkups.
Measures against mental health problems	<ul style="list-style-type: none"> Implemented stress checkups. Held medical interviews between employees and Company doctors.
Raising health improvement awareness	<ul style="list-style-type: none"> Provided health counseling by Company doctors (every month). Held health seminars and distributed videos on health topics. Set up points of contact for consultation.

Work-Life Balance

Formulating the "Working Style Reform Action Plan 2023"

To enable employees to continue to display their best performance and produce positive results, employee well-being (a state of complete physical, mental and social well-being) is indispensable. It is therefore absolutely vital to identify factors that may negatively affect employee well-being and take improvement measures. These measures are also important from the perspective of human capital utilization.

In June 2022, the Group formulated the Health Management Declaration and the Basic Policy on Work-Life Balance. As specific initiatives to follow these guidelines, we established the Working Style Reform Action Plan 2023 (hereinafter "Action Plan") dated June 1, 2023, for all the 17 SUMINOE GROUP companies in Japan.

In the future, we will check and evaluate the progress in our efforts toward the Action Plan to implement the PDCA (plan-do-check-act) process, through which we can improve and continue measures. In so doing, the Group will seek to realize health management, promote work-life balance, and enhance its corporate value.

SUMINOE GROUP working style reform action plan 2023 Period: From June 1 2023 to May 31 2024

Indicator	Target
1. Number of employees who worked 70 hours overtime a month	0
2. Use rate of annual paid leave (%)	70
3. Rate of male employees taking childcare leave (%)	100

Use of paid leave (in Group companies in Japan) As of May 31 each year

Item	2022	2023
Use rate of annual paid leave (%)	60.4	59.9

Number of employees who used childcare/family care supporting systems (Group companies in Japan) As of May 31 each year

Item/sex		2022	2023
Childcare leave, etc.	Number of employees who took childcare leave	Male 1 Female 13	2 13
	Number of employees who returned to work after childcare leave	Male 1 Female 9	2 12
	Number of employees who took family care leave	Male 0 Female 18	0 22
	Number of employees who worked from home	Male Female	 21
Family care leave, etc.	Number of employees who took childcare leave	Male 0 Female 0	0 0
	Number of employees who worked from home	Male 0 Female 0	0 0
	Number of employees who reduced working hours	Male Female	4 1

Encouraging male employees to take childcare leave

We encourage employees to take childcare leave, as part of our efforts to develop a corporate culture that embraces diversity and to promote work-life balance aimed at making employees' work and life fulfilling. Suminoe Textile Co., Ltd. added a provision that "Of the period of childcare leave, employees shall be regarded as having been at work up to 14 working days before returning to work," effective since June 2023. The Action Plan sets 100% as the Groupwide target for the rate of employees taking childcare leave. We will apply the provision to Group companies and promote coordination across the Group, toward attaining this target.

Developing a Safe and Secure Work Environment

Progress in the occupational health and safety initiatives and deliberation on the causes of occupational accidents and preventive measures

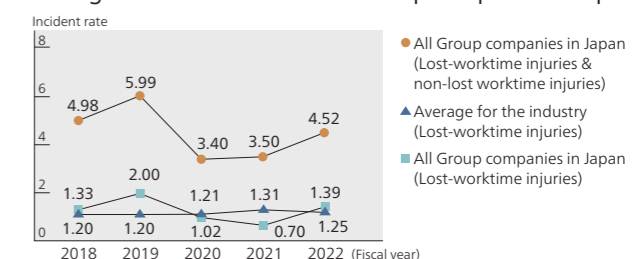
The Group's Central Health and Safety Subcommittee holds meetings three times a year, bringing together persons in charge of promoting occupational health and safety at Group companies, to exchange views about prevention of occupational accidents and report on the activities of each company. In fiscal year ended May 2023, the rate of lost-worktime injuries was 1.39.

In December 2020, an occupational fatal accident occurred at the Shiga Factory of Suminoe Techno Co. Taking the accident seriously, we are making Group-wide efforts to promote occupational health and safety activities.

Activities to prevent occupational accidents at Suminoe Techno Co., Ltd.

As part of its activities to prevent occupational accidents, Suminoe Techno Co., Ltd. conducts hands-on safety training in which employees experience firsthand the danger of equipment and machinery. In FY2023, the company held training at the Nara Factory, using a simulation system that provided employees with a realistic feeling of being caught or pulled into a machine. Many employees have the opinion that realizing the danger of equipment firsthand is effective in raising safety awareness of operators. For this reason, Suminoe Techno will continue to conduct such hands-on training with different contents at the Nara or Shiga Factory alternately every year.

Change in the incident rate* of Group companies in Japan



Source: 2022 Workplace Accident Trend Survey, Ministry of Health, Labour and Welfare

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

G Governance

Enhancing Governance

Basic approach

The SUMINOE GROUP believes that the objective of corporate governance is to secure the soundness and efficiency of management. In doing so, the Group strives to enhance its corporate value to continuously return profits to stakeholders.

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 terms of risk management, we have formulated the Code of Conduct and the Standards of Conduct. By appropriately operating these codes, we aim to be a company trusted in society.

Governance system

Board of Directors (No. of meetings held in FY2023: 9)

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

Board of Corporate Auditors (No. of meetings held in FY2023: 9)

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 (No. of meetings held in FY2023: 1)

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.

Executive Committee/CSR & Internal Control Council

A meeting of the Executive Committee is held every week, in principle, to report and deliberate on important management matters. Matters of particular importance will be reported to the Board of Directors. 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.

Board of Operating Officers (No. of meetings held in FY2023: 12)

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

Policies and procedures for selecting officers

The Board of Director has not established specific procedures for selection of a CEO.

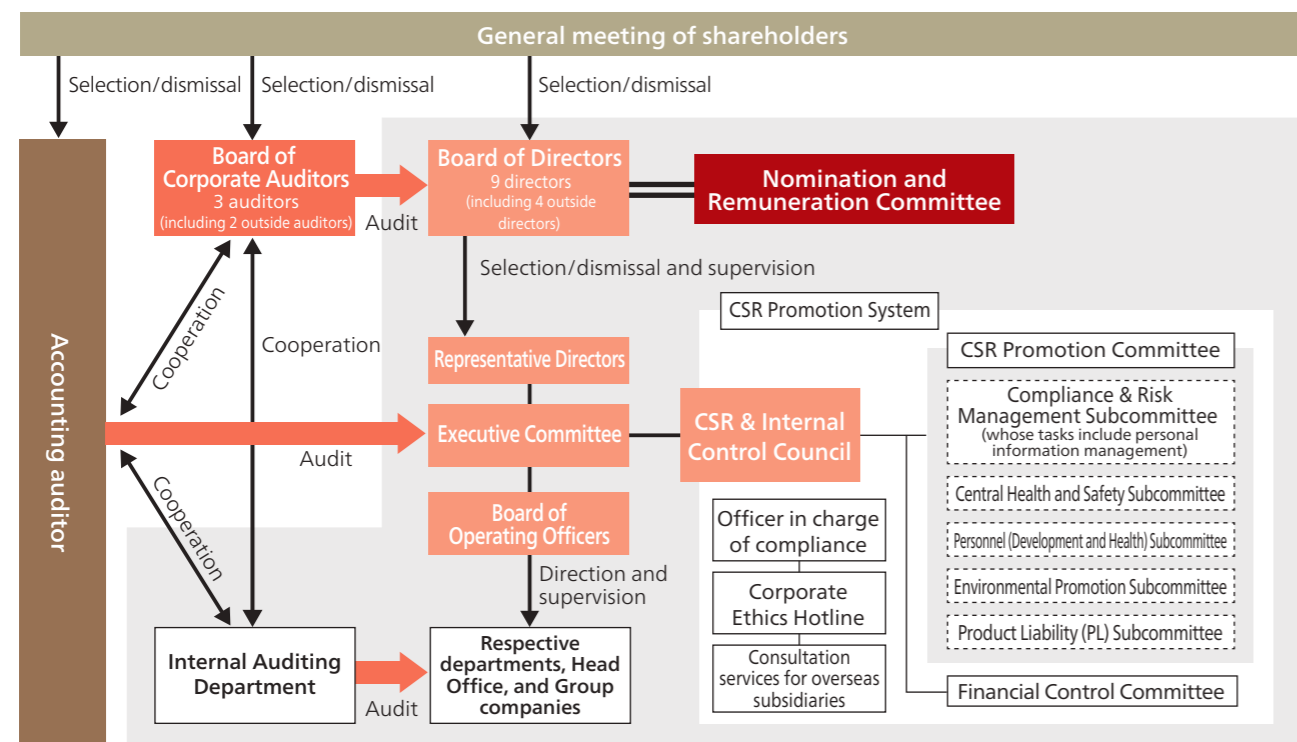
A CEO candidate is chosen from personnel who are able to control overall management and business operation based on the Group Philosophy and who have abundant experience and achievements required for contributing to the Group's sustainable growth and to improvement in its corporate value. Such personnel also must have a high level of ability, broad insights and a superior personality. The successful candidate will be selected by resolution after due deliberation at a meeting of the Board of Directors, with

attendance of independent outside directors.

In July 2019, we set up the Nomination and Remuneration Committee, which has been functioning as an advisory body to the Board of Directors.

The Company's Board of Directors consists of inside Directors who are well versed in respective business and corporate activities and have a wide variety of knowledge and experiences and Outside Directors who are expected to provide advice and monitoring from a broad perspective. As for the selection of Directors, from among candidates, the Company selects personnel who meet the same requirements as above, while taking into account the appropriate balance of the board as a whole, in accordance with the revised Corporate Governance Code. The Company appointed a female certified public accountant as an Outside Director in August 2021 and a female executive officer of a different company as an Outside Director in August 2023. These appointments enabled the Company to secure diversity, accounting literacy and global perspectives. We believe that the Company's Board of Directors achieves appropriate diversity and a proper balance of knowledge, experience and skills, making effective use of expertise possessed by respective board members.

Corporate Governance and CSR Promotion System



Skill Matrix

Position	Name	Age	Sex	Term of office	Specialization and experience							
					General management	Overseas business	Sales and marketing	Sustainability	Production technology	Finance and accounting	Legal Risk management	IT Digital
President	Tepppei Nagata	66	Male	6 years	●	●	●	●				
Managing Director	Hiroaki Usugi	59	Male	3 years	●					●	●	●
Managing Director	Toshiro Maruyama	65	Male	2 years	●	●	●		●			
Director	Eiichiro Kimura	64	Male	2 years	●			●	●			●
Director	Norihisa Murase	62	Male	1 year	●		●	●			●	
Outside Director	Haruo Shimizu	76	Male	7 years	●	●	●					
Outside Director	Kohei Nomura	75	Male	5 years				●			●	
Outside Director	Yumiko Oida	56	Female	2 year						●	●	
Outside Director	Yuko Shibuya	54	Female	—		●	●	●				
Full-time Corporate Auditor	Kiyokazu Ichikawa	64	Male	3 years		●			●	●	●	
Outside Corporate Auditor	Atsuhiro Sonoda	58	Male	4 years						●	●	
Outside Corporate Auditor	Takafumi Katayama	61	Male	3 years	●	●	●					

* The above is not intended as a complete list of knowledge and experience held by members of the Board of Directors and the Board of Corporate Auditors.
 * As of the conclusion of the general meeting of shareholders held in 2023.

G Governance

Evaluation of the effectiveness of the Board of Directors

Results of third-party analysis and matters requiring improvement

The Group analyzed and evaluated the effectiveness of the Board of Directors, using the following processes, with the cooperation of a third-party organ.

- ① Prepare a “questionnaire survey regarding the effectiveness of the Board of Directors,” in light of the present conditions of the Group.
- ② Collect responses to the questionnaire survey from all directors and corporate auditors.
- ③ Compile and analyze responses to the survey and create a “report on the survey results regarding the effectiveness of the Board of Directors.”
- ④ Share the report with the Board of Directors, etc.
- ⑤ Conduct self-evaluation of the Board of Directors and formulate a policy for addressing the identified issues.
- ⑥ Share the evaluation results and an outline of the policy among the Board of Directors’ members.

Below are the contents of the “questionnaire survey regarding the effectiveness of the Board of Directors.”

Closed-ended (multiple-choice) questions

- ① Roles and functions of the Board of Directors
- ② Structure and size of the Board of Directors
- ③ Operation of the Board of Directors
- ④ Coordination with the auditing organs
- ⑤ Relationships with outside directors
- ⑥ Relationships with shareholders and investors
- ⑦ Summing-up

Closed-ended (free form) questions

- ① The Group’s characteristics, strengths and weaknesses and the reason for the answer (structure, operating methods, experience, coordination, etc.)
- ② Matters that you think the Board of Directors should improve or focus on in the future
- ③ Matters that you feel you might have further contributed to the Board of Directors
- ④ Other opinions and recommendations regarding improving the Board of Directors’ functions, governance, etc.

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

On the other hand, the following matters were identified as the issues to be addressed in the future.

- ① Enhance discussions on management strategies from a medium- and long-term perspective.
- ② Augment opportunities for outside directors to deepen their understanding of the Company.
- ③ Enhance reports about the internal control and risk

management systems.

In addition, outside directors recommended strengthening dialogue with shareholders and markets. They also suggested that additional venues for discussions with outside directors be created, for example, by holding a reporting session for them. Any of these issues will be addressed to improve operations of the Board of Directors in the future. We will also continuously evaluate the effectiveness of the Board of Directors in order to further enhance its functions.

Training for officers

Providing opportunities to acquire and update knowledge

Various training opportunities are offered for directors and corporate auditors to encourage their self-improvement and help them acquire and update knowledge necessary for their respective duties and operations. And directors and corporate auditors have been actively participating in such training programs (p. 59).

To address issues pointed out through the aforementioned evaluation of the Board of Directors, we strive to augment opportunities for outside directors to better understand the Group. Specifically, to help them deepen their understanding of the management strategies and business nature/conditions of the Group, explanations are provided upon their appointment, and also opportunities to visit factories/offices and explanations by responsible directors are provided subsequently as necessary. In November 2022, outside directors visited the Nara Factory, of which reorganization was completed in the same year (p. 58). We plan to utilize such factory/office tours as venues for exchanging views as to human resources development, sustainability and other medium- and long-term issues, which had not been fully discussed at meetings of the Board of Directors.

Status of attendance at Board of Directors’ meetings

As of May 31, 2023

Title	Name	Attendance at board meetings
President	Teppei Nagata	100% (9/9 times)
Managing Director	Hiroaki Usugi	100% (9/9 times)
Managing Director	Toshiro Maruyama	100% (9/9 times)
Director	Eiichiro Kimura	100% (9/9 times)
Director	Norihisa Murase ^{*1}	100% (7/7 times)
Outside Director	Haruo Shimizu	100% (9/9 times)
Outside Director	Kohei Nomura	100% (9/9 times)
Outside Director	Yumiko Oida	100% (9/9 times)
Outside Director	Yuko Shibuya ^{*2}	-
Corporate Auditor	Kiyokazu Ichikawa	100% (9/9 times)
Outside Corporate Auditor	Atsuhiro Sonoda	100% (9/9 times)
Outside Corporate Auditor	Takafumi Katayama	100% (9/9 times)

*1 Appointed August 2022

*2 Appointed August 2023

Auditing status

Audits by the Board of Corporate Auditors

The Board of Corporate Auditors always seeks to coordinate with related departments and units in order to further enhance the effectiveness of audits conducted by the Board of Corporate Auditors.

The full-time Corporate Auditor reports to outside corporate auditors on the results of meetings of the Executive Committee and the Board of Operating Officers, as well as internal audits, to ensure close information-sharing with outside corporate auditors.

As for coordination between members of the Board of Corporate Auditors and the Internal Auditing Department, corporate auditors hear the auditing status from the Internal Auditing Department and then follow up on and verify the audit findings. Also, the Internal Auditing Department members are present at business audits by the corporate auditors when necessary.

As for coordination between members of the Board of Corporate Auditors and the accounting auditor, the accounting auditor provides explanations about audit plans to corporate auditors at the beginning of the fiscal year and holds regular meetings as to the implementation status of accounting audits during the fiscal year. As the need arises, a meeting is held with the attendance of members of the Internal Auditing Department and the CSR Promotion Department to share auditing issues mainly regarding internal audit evaluations and to strengthen coordination among participating units. Also, members of the Board of Corporate Auditors and the accounting auditor work in close coordination by timely exchanging information on the accounting processes and opinions regarding audit dates. In addition, corporate auditors attend the audits performed by the accounting auditor during and at the end of the fiscal year.

Status of internal auditing

The Internal Auditing Department comprises three members and is under the direct control of the President, the Executive Committee, and the CSR & Internal Control Council. Based on the Internal Audit Regulations and the Internal Audit Guidelines, the Internal Auditing Department conducts audits to confirm that the Company and its Group companies in Japan and overseas are performing their duties properly. The Department also audits the development and operation status of the systems and processes for internal controls, including the internal control concerning financial reporting. In fiscal year ended May 2023, the Department implemented on-site audits for five consolidated subsidiaries in four countries—the United States, Mexico, Indonesia and Thailand.

As for internal controls concerning financial reporting, the Company and 14 consolidated subsidiaries were evaluated for their company-wide internal controls, and five consolidated companies were evaluated for their internal controls of work

processes. The results of these internal audits are reported not only to the Company’s President and the Executive Committee but also to corporate auditors, the accounting auditor and the Financial Control Committee. By raising questions and making improvement proposals, the Internal Auditing Department seeks to improve the internal control system. Moreover, the Department strives to reinforce mutual coordination with the Board of Corporate Auditors by such means as holding a liaison meeting whenever necessary.

Status of attendance at Board of Corporate Auditors’ meetings

As of May 31, 2023

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

Supervision and audits by outside officers

Close coordination between the Internal Auditing Department and the accounting auditor

From viewpoints based on their experience and expertise, outside directors and outside corporate auditors express their opinions where necessary in order to ensure the validity and appropriateness of the decisions made by the Board of Directors and to supervise business execution. Outside corporate auditors proactively obtain information required for audits from a neutral standpoint and share the information with other auditors so as to enhance the auditing environment.

Outside directors and outside corporate auditors maintain close coordination with the Internal Auditing Department members and the accounting auditor. They require the Department and the accounting auditor to submit reports as needed in order to improve supervision and auditing efficiency. If an inadequacy or deficiency is identified through these supervision and auditing activities, the Internal Auditing Department, which is in charge of internal controls, implements measures to correct and supervise the inadequacy or deficiency and evaluates the internal controls.

G Governance

Remuneration for officers

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

The Company consults the Nomination and Remuneration Committee and, based on the response from the Committee, resolves the policy to determine details of remuneration, etc. for each director as follows:

① Policy for determining the amount of the base salary, as well as the details and the amount or quantity of non-monetary remuneration, for each individual director

Remuneration, etc. for directors shall be in the amount appropriate in light of their respective duties and the general standard and consist of base salary and stock-based remuneration. Base salary is paid as monthly fixed remuneration in the amount appropriate for each position within the range of remuneration determined at a general meeting of shareholders.

The purpose of stock-based remuneration is to provide an incentive for directors to work toward sustainable improvement of the Company's corporate value and also to promote their sharing of value with shareholders. In view of this purpose, the amount deemed appropriate within the range of remuneration determined at the general meeting of shareholders is paid to directors, excluding outside directors, at a fixed time each year as remuneration for provision of restricted stock, of which disposal is not allowed until the directors resign or retire from the position of director, etc. of the Company.

② Matters regarding determining details of remuneration, etc. of each director

Based on the above policy, allocation of remuneration for each individual and other matters are discussed by the Nomination and Remuneration Committee, which is an advisory organ of the Board of Directors established as necessary for the purpose of enhancing objectivity and transparency in the procedures related to the appointment of directors and the determination of their remunerations and consists mainly of independent outside directors. Based on the report from the Committee, these matters are discussed and resolved at a meeting of the Board of Directors in which outside directors and outside corporate auditors are present.

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

Remuneration of corporate auditors is determined through consultation with the corporate auditors within the range of remuneration determined at a general meeting of shareholders.

Total amount of remuneration, etc. for each officer category, total amount of remuneration, etc. by type, and number of eligible officers

Officer category	Director ^{*1}	Corporate Auditor ^{*2}	Outside officer
Total amount of remuneration, etc. (Millions of yen)	144	15	23
Total amount of remuneration, etc. by type (Millions of yen)	Basic salary	134	23
	Performance-based remuneration, etc.	-	-
	Non-monetary remuneration, etc.	9	-
Number of eligible officers	6	1	6

*1 Excluding outside directors

*2 Excluding outside corporate auditors

Policy for constructive dialogue with shareholders

Holding briefings for investors

To earn an appropriate evaluation from shareholders and other stakeholders, the Group strives to realize constructive dialogue with shareholders within the scope and by the means deemed to be appropriate by the Group, and it provides opportunities to deepen their understanding of the Group's management strategies and business environments.

In addition to holding IR briefings for institutional investors semiannually in Tokyo and Osaka, we visit major shareholders around the time when financial results are announced to explain about the financial results and our future initiatives and to hear opinions from these shareholders. For individual investors, company briefings are held at irregular intervals.

As for the handling of the important facts that have not been published, our basic concept is that we should ensure the equality of shareholders. Under this concept, we comply with the Financial Instruments and Exchange Act and other relevant laws and regulations, and we conduct thorough information management, based on the regulations for preventing insider trading, which is our in-house regulations established to prevent insider trading.

Cross-shareholding

Reasonable and appropriate holding

The Company implements cross-holding of shares for strategic purposes, such as to maintain smooth transaction relationships and strengthen stable and ongoing ties with financial institutions, when it is deemed to contribute to improving the Group's corporate value.

Cross-shareholding cases are reported to the Board of Directors every six months, where the purpose of cross-holding is verified by examining such matters as whether the yielded benefits meet the investment made, whether there are any risks, and whether the shareholding is economically reasonable and appropriate, based on the status of relationship with the Group and the governance condition of each partner. The cross-held shares are sold whenever their purpose of holding disappears.

Regarding the exercise of voting rights, although no uniform standard has been established, we believe that proper exercise of voting rights will lead to improved corporate value and sustainable growth of the relevant companies in the medium to long run. Based on this belief, in principle, we exercise our voting rights with regard to all the cross-holding shares by determining approval or disapproval of proposals in view of the situation and business relationships of the relevant companies.

Incidentally, when a company holding shares of the Company shows its intention to sell the shares, we basically agree to it.

Restructuring of the core systems

Restructuring of systems for management of receivables/payables and accounting

We have been working on the restructuring of its core systems throughout the Group, which has been promoted in a top-down manner since November 2018. To improve efficiency of operations while preventing misconduct, we have been advancing restructuring of various systems so that our businesses can be visualized.

Restructuring of the receivables/payables management system and the accounting system was included in this initiative. The purpose is to promote paperless operations through the elimination of forms and to integrate data on balance and particulars of receivables and payables so that they can be easily grasped. In October 2022, Suminoe Textile Co., Ltd. and Suminoe Teijin Techno Co., Ltd. introduced a new system. In September 2023, the new system also came into full-scale operation at SUMINOE Co., Ltd., RUNON CO., LTD., and Suminoe Techno Co., Ltd.

Going forward, we will further expand the application of these systems throughout the Group. We will also work to enhance functions of these systems by promoting electronic invoicing, introduction of a cloud service for expense settlement, and reinforcement of administrative accounting. At the same time, we will endeavor to prevent misconduct.

Interactive communication through "Management by Walking Around"

Interactive communication between top management and employees to discuss worksite problems

The Group has been promoting "Management by Walking Around" since the fiscal year ended May 2018, with the aim of enabling information-sharing and interactive communication between top management and employees. In the "management by walking around" approach, directors and operating officers visit the Group's offices and factories and exchange opinions with local employees.

In fiscal year ended May 2023, top management visited a total of nine offices/factories, including the Shiga Factory of Suminoe Techno Co., Ltd., Suminoe Textile Vietnam Co., Ltd., and Seki Textile Co., Ltd, which joined the Group in July 2022. As their worksite problems, local employees pointed out aging equipment and facilities, aging employees, etc.

In November 2022, a meeting of the Board of Directors was held at the Nara Factory, whose reorganization project was completed in the same year. All directors, including outside directors, looked around the factory as well as the newly constructed warehouse and Technology Development Center buildings, where they exchanged opinions with employees. An outside director said: "It was a valuable opportunity to visit an operation site, not through reference materials but in person. I had a very meaningful time since I was able to deepen my understanding of the SUMINOE GROUP." As exemplified by this comment, many positive opinions were expressed.

The "Management by Walking Around" initiative allows top management to address problems with a greater sense of ownership through firsthand observation of the work environment and direct communication with local employees. We will continuously implement "Management by Walking Around" in the future.



Top management during "Management by Walking Around"

G Governance

Ensuring Compliance

Basic Policy

Corporate activities in compliance with laws and corporate ethics

The Group has formulated its Code of Conduct and its Standards of Conduct, both of which lay out the basic policy for implementing compliance management.

In keeping with the basic policy, officers and employees of the Group strive to ensure 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 Group carries out various measures to develop compliance awareness among employees.

For example, in December 2022, we revised the Compliance Guidance and distributed the revised Guidance to all Group employees in Japan. Its English and Chinese versions were also prepared and distributed to overseas Group companies.

The Group companies in Japan use the Guidance for compliance-related lectures, which are continuously delivered to employees when they enter the company and receive level-based training. Also, at these companies, an employee reads the Code of Conduct aloud at the morning assembly.

Compliance training

Training for officers and for executive employees

We have continuously implemented compliance training with external specialists invited as lecturers. In fiscal year ended May 2023, a training session was held for officers on the theme of "Human Rights Issues Associated with Business Activities and the Responsibility of Management Executives" so that participating officers could learn about the background of increased attention to human rights issues and how to cope with these issues. Another training session selected "Toward Realization of DX—Roadmap and Final Targets" as its theme, under which officers were lectured about what targets should be set to promote digital transformation and what initiatives should be undertaken in the future.

The Company also conducted training sessions for a total of 49 executive employees who serve as directors of the Group companies on the themes "How to Read Financial Statements" and "Significance of Internal Control (Company-wide Internal Control)."

Going forward, we will implement compliance training on themes selected for each business category.

Initiatives for personal information protection

To notify all employees of the amended Act on the Protection of Personal Information and to reduce the risk of leakage, we have published the Group's rules concerning handling of personal information in the Risk Management Manual and the Compliance Guidance so that all Group employees in Japan can ascertain the rules to follow. At the same time, the Company held briefings for several Group companies in Japan that handle a large amount of personal information.

Subsequently, to confirm the management status of personal information handled by each department and its risk level, we distributed check sheets for personal information protection to respective departments and collected these sheets. If a collected check sheet revealed that the department carries a high risk, we conducted an on-site inspection of the department and urged it to take improvement measures.

The above initiatives are posted on the in-house intranet to continuously remind employees that they should take great care when handling personal information. We are also planning to hold a meeting to explain about personal information protection to new employees, and we will continue to verify the status of personal information management in departments with a high risk.

Continuously implementing in-house study meetings

The Group has continuously been holding study meetings on laws and regulations related to business operations to prevent employees from mistakenly violating laws. This fiscal year, these study meetings were held under the theme of "Subcontract Act" and "Act against Unjustifiable Premiums and Misleading Representations," with the participation of 307 employees in total.

Whistleblowing system

Establishing whistleblowing contact points

The Group has established the Corporate Ethics Hotline as a contact point through which officers and employees can submit a report, should they find incidences of violation of laws and regulations or corporate ethics within their companies.

We added the contents of the system operation regulations that were revised in 2022 to the Compliance Guidance (in Japanese), which was distributed to all Group employees in Japan.

Through in-house training sessions and by other means, we will continue to ensure that all employees are notified of these contact points.

Consultation services used (number of consultations received)

Contact point for consultation	2022	2023
Corporate Ethics Hotline (in-house contact point)	1	0
Corporate Ethics Hotline (external contact point)	0	0
Harassment consultation contact point (in-house contact point)	1	8
Harassment consultation contact point (external contact point)	3	9
Total	5	17

Risk Management

Risk management system

Reporting to the Executive Committee after deliberation by the committees concerned

The Group has established the following risk management system. The CSR Promotion Committee, which comprises members from respective business headquarters and departments, deliberates on matters regarding overall risk management activities, such as proactive prevention and emergency response measures against risks. The Committee then reports the deliberation results to the CSR & Internal Control Council (Executive Committee) to obtain approval.

In implementing internal control, 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 in Japan and overseas. The Financial Control Committee examines the risk assessment results, which are reported to the CSR & Internal Control Council. Under this system, we have reduced risks to a certain level. We will henceforth promote the introduction of information technology (IT) to improve the system to mitigate each risk even further.



Restructuring of the core systems

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

We are working to gradually introduce a production management system that is specifically tailored to the textile industry to various departments in Japan. This fiscal year, we have completed defining the requirements, aiming at starting full-scale operation of the system in the sales department of Suminoe Teijin Techno Co., Ltd. The Group believes that this system will be instrumental in establishing a structure that integrates production and sales functions by visualizing three statuses: the order status from sales to procurement; production status from procurement to sales; and the inventory status. We will continue to promote the widespread use of this production management system, with a view to its application across the Group.

Strengthening global risk management

Introduction of the production management system (overseas)

We have judged that IT controls are the most effective means for strengthening internal controls at overseas Group companies. We

have therefore promoted the introduction of a production management system focusing on inventory management, which entails particularly large risks, into SPM Automotive Textile Co., Ltd. Guangzhou in China and PT. Suminoe Surya Techno in Indonesia. In fiscal year ended May 2023, after we had repeatedly made adjustments while parallelly running the old and new systems, the new system was finally brought into full-scale operation. We will promote the introduction of the system to other Group companies in the future.

Implementation status 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, the Group has been working to establish its business continuity plans (BCPs), focusing on collecting information, such as that on employees' personal safety and damage caused by a disaster.

Suminoe Textile Co., Ltd. and SUMINOE Co., Ltd. have held an annual BCP-based emergency drill at their head office buildings. In the drill, the personal safety of employees is confirmed in accordance with the in-house emergency contact rules. On September 1, 2023, these two companies carried out personal safety confirmation drills, and the emergency headquarters was able to swiftly confirm the safety of all employees.

Moreover, to ensure prompt response to emergencies at overseas Group companies, the Crisis Response Manual on Overseas Assignment, which is included in the Risk Management Manual, was revised to provide clear and detailed descriptions of the emergency contact routes and the duties to be performed by respective persons in charge.

* 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.

Intellectual property

Promoting awareness of intellectual property rights

Intellectual property rights include patents, utility model rights, design rights and trademarks. To protect and utilize intellectual property rights, employees must obtain an accurate understanding of and deepen their knowledge of intellectual property rights. For this reason, we provide employees with education about these rights at the time of joining the company. In addition, information on the patents of other companies is reported at regular technical meetings. Every month, we confirm other companies' patents associated with the Group's technologies and communicate the obtained information across the Company. By doing so, we utilize the information on these patents for technology development in the future and for preventing the Company from infringing on patents of other companies.

We will continuously conduct intellectual property education and information sharing in order to protect and make effective use of intellectual property rights.



Haruo Shimizu
Outside Director

Yumiko Oida
Outside Director

Kohei Nomura
Outside Director

Yuko Shibuya
Outside Director

Enhancing the Effectiveness of Governance to Achieve Further Improvement of Corporate Value

“ How would you evaluate the Company’s governance system and management? ”

Shibuya Although I have attended the Board of Directors’ meeting only once, I have an impression that the meeting has an open atmosphere that encourages free and vigorous discussions, so members were engaged in very lively exchange of views.

Oida That’s right. Partly because many of us have served as outside directors of the Company for a long time, we can make recommendations based on our understanding of the Company as well as our own experiences. Internal officers, including the President, who chairs the board meeting, always seriously listen to recommendations from outside directors. As such, unreserved discussions take place at meetings of the Board of Directors.

Shimizu Since we can obtain accurate answers to every question, I presume that careful preparations are made for board meetings.

Nomura The Company has devised the ways of providing us with information in advance of the meetings. I think this indicates that the Company wants to ensure that outside directors understand the content of the meetings. This also reflects the Company’s recognition that if we have deeper understanding, it should lead to more in-depth discussions.

Oida In addition, the Company has secured the diversity of outside directors by appointing individuals of various age groups and genders. These members include a manager, lawyer, accountant, and other professionals having diverse skills in their respective fields.

Shimizu I have been engaged in overseas business at an automotive parts manufacturer for nearly 60 years. Taking advantage of this background, I can make many suggestions to the Company, which attentively listens to these suggestions.

Nomura I dare say about the issues with the Board of Directors, there may be room for enhancing its function to ensure that a board meeting will not be just a “venue for approval” but be a “venue for discussion.” For example, I regret that we could have

engaged more deeply in the formulation of the Medium- to Long-term Management Targets “SUMINOE GROUP WAY 2022-2024-2027” (hereinafter SGW). Next time and onward, I hope that we outside directors will be deeply involved in formulating such targets from the initial stage.

Oida Regarding information provision in advance of the meeting, I would like to request that such information be given to us at an earlier time. Especially for important subjects, I would appreciate it if we could have an opportunity to receive prior explanation through an online meeting or other means. In the present situation, it is difficult to say that enough time is secured to well consider such subjects before the meeting. To enable us to participate in the discussions after deepening our understanding of the contents, I hope some improvements will be made.

Nomura In terms of understanding of the Company’s businesses, it was greatly helpful to be able to visit the Nara Factory after its reorganization in fiscal year ended May 2023. In a manufacturing setting, what is important is to increase production efficiency while implementing thoroughly safe operation. Through the aforementioned visit, I realized that the Group factory has a high level of safety awareness. I hope that the Company will continue to offer us opportunities to observe manufacturing sites firsthand.

Oida We are given regular opportunities to better understand the Group. By actually seeing products and production sites, we can get a clearer image and engage in discussions in greater detail. I know that some other companies hold events other than the board of directors’ meetings for exchanging views between the president and outside directors. In many cases, such events are designed to help both the president and outside directors to comprehend each other’s views on various matters, including matters that are difficult to discuss when internal officers are present—for example, each other’s level of understanding governance and ways of recognizing the business environment and the medium- to long-term strategies.

Shibuya It is true that, during the Board of Directors’ meetings, occasionally we only have time to plainly express our ideas. However, at informal sessions other than board meetings, we can further deepen discussions without being concerned about reaching a conclusion. It is therefore desirable for the Company to increase such opportunities in the future.

“ What do you think will be the future challenges for the Company? ”

Shimizu As pointed out when the effectiveness evaluation was made for fiscal year ended May 2023, I think that the Company’s

efforts to establish and implement a succession plan are only half done. The Company must define the skills required for a successor and create a foundation for nurturing personnel who have these skills, on a long-term basis.

Oida Some have the idea of developing professionals by letting employees accumulate experience in a single business segment. However, I believe that it is important to broaden employees’ perspectives, by having them experience working at a Group company in Japan or overseas when they are in their 40s or so, to enable them to obtain skills and knowledge that differ from those they have acquired through their previous work.

Shimizu With factories located around the world, the Company is engaged in production and sales on a global scale. At the same time, the Company has been vigorous in conducting overseas investment. To comprehensively manage these strategies over a long period, it is necessary to formulate human resources strategies, including a succession plan taking into account aging members of the Board of Directors.

Shibuya I think that the key is to have as many successor candidates as possible. As for qualities and skills, generally there are minimum requirements for successors. However, corporate business strategies will vary according to the times. I recommend the Company having many candidates to create room for selecting the right person at the right time. In addition, if the Company has nurtured diverse candidates, it will be able to establish a Board of Directors comprising individuals with a broad range of knowledge and skills.

Nomura In terms of accumulating experience, it may be a good idea to have executive employees make a presentation on a discussion theme at a meeting of the Board of Directors. Although the number of participating employees should be limited, candidates for future managers can witness what kind of discussions are being held among officers. After receiving explanations about the theme, these candidates will work together with directors to answer our questions. Such activities will provide them with an opportunity to build experience and a mindset to become a member of the next management.

“ What do you expect of the Company in the future? ”

Shibuya My impression is that although the Interior Fittings and Automotive Textile businesses tend to be vulnerable to economic swings, the Company runs relatively stable businesses with a firm base of operations. On the other hand, I think there is a limit to

Round-Table Discussion among Outside Directors

expanding its market share in Japan. I expect to see further development of overseas businesses, on which the Company has already focused its efforts. In addition, I hope that overseas businesses will be utilized for human resources development. When I was transferred to a company in a foreign country, I keenly realized that I had to take on greater duties and responsibilities on my own than I did in Japan. I believe that experience in working overseas offers a great opportunity for personal growth of employees.

Nomura There may be examples of young employees who are successfully working in Japan after having improved their business skills through experience in working at an overseas Group company.

Shimizu Well, the reverse situation is also conceivable. We can imagine that employees of an overseas Group company come to Japan. While accumulating working experience in our country, they will learn about the Group's spirit, which will be brought into their countries when they return home. In June 2023, a new Group Philosophy and logo were formulated. Taking this opportunity, the Group's spirit, along with its new Philosophy and logo, should be known to all Group employees not only in Japan but also in overseas countries.

Oida As measures to prevent the loss of opportunity due to shortages of qualified personnel, I can cite M&A, let alone in-house human resources development. I recommend the Company to continue to proactively conduct M&A when required for its businesses.

Shibuya To attract superior human resources, it is important to enhance name recognition. As compared with B-to-C companies, B-to-B enterprises, including the Company, tend to be less known to the general public. For this reason, we should disseminate the Group Philosophy and other various kinds of information to outside the Company. I think that such initiatives will also be instrumental in securing human resources and revitalizing the Company.

Shimizu I agree. Young employees these days will be highly motivated to work if they see the Company resolving social issues

and contributing to society. I thus hope that the Company will more widely demonstrate the fact that it is fulfilling its social responsibilities.

“ What kind of initiatives would you like to work on toward further enhancement of corporate value? ”

Shibuya I'm sure that the Group is built on a solid foundation and has excellent products and human resources. In order for the Group to continue to produce products that are conducive to society, human capital, particularly its "diversity," is the essential element. Since we don't know where growth opportunities lie in the future, I believe it is extremely important to hire and secure diverse human resources to seize such opportunities.

Oida At present, the greatest challenge for the Company is to achieve "a market capitalization of tradable shares of at least 10 billion yen" to meet the continued listing criteria for the Prime Market. I strongly recommend the Company to focus its efforts on M&A initiatives as its growth opportunities in order to increase investor expectations for the Company. As a certified public accountant, I will make financial suggestions.

Shimizu The Company's subsidiary in the United States, Suminoe Textile of America Corporation (STA), has been in the red for many years. However, it has finally become almost certain to achieve profitability. After visiting STA for an on-site inspection, I had an impression that its deficits may be caused by inaccurate cost accounting. If income is stabilized, external impact due to fluctuations in foreign exchange rates or other factors can be absorbed to some extent. Although its cost management has now been improved, I will continue to pay close attention to the U.S subsidiary to prevent it from returning to the same state.

Nomura Needless to say, single-year income is important, and profitable management should be continued. On the other hand, I would like to emphasize the importance of having long-term perspectives. The SGW targets have been established for the purpose of the Company's growth. With this in mind, all of top management and all employees should take action. Together with other outside directors, I will strive to help the Company make right business decisions for sustainable growth while always being aware of this fiscal year's objectives in working toward the SGW.



Messages from Outside Corporate Auditors



Atsuhiro Sonoda
Outside Corporate Auditor

Performing audits to safeguard investor interests from the standpoint of a financial expert

Ever since I joined Takashimaya Co., Ltd., I have experienced various duties, primarily in the accounting and financial fields. In February 2023, I obtained a tax accountant license. I understand that my roles are to check the legitimacy of decisions made by the Company, to bring out the strengths of each business to improve management, and to monitor whether investor interests are realized or not.

Since the Company has many Group companies in Japan and overseas, one of its crucial challenges is to establish a governance system at each Group company. I believe that it is vital that Group auditors share governance-related issues of each company and hold discussions to find radical solutions in terms of Group governance at their liaison meetings, held several times a year. These auditors should also work to increase opportunities to provide advice from the investor's perspective.

Meanwhile, considering overseas business expansion aimed at further growth, it is indispensable to secure human resources with higher skills regarding global strategies. Much of the Group's income derives from the United States and ASEAN countries. In this sense, I consider it important to find and appoint appropriate individuals who can advance opinions about management from a global perspective, from among local executives of major overseas Group companies. Since I myself frequently make contact with investors, I will contribute to the Company as an "activist auditor" to improve shareholder value from the viewpoint of investors.



Takafumi Katayama
Outside Corporate Auditor

Contributing to further improvement in transparency, capitalizing on my expertise cultivated through textiles-related businesses

For many years, I have been engaged in trading of fiber raw materials and textile products at Marubeni Corporation while overseeing sales strategy formation, governance improvement and internal control of Marubeni Group companies. I have also conducted business management as President of a major Marubeni Group company. As an independent outside auditor, I believe that I can be actively involved in better management and administration of the Company.

The Company secures sufficient coordination between the full-time corporate auditor and the accounting auditor, as I can see them exchanging candid views and sharing information. Currently, I am working in coordination with the Internal Auditing Department via the full-time corporate auditor. Going forward, I hope I will be able to have more opportunities to talk with the Department members. I can fully appreciate the appropriateness of the Board members' business execution. I think, however, if outside directors have a deeper understanding of the Company's activities, it will lead to more constructive discussions at board meetings. I would also like to point out an issue regarding the development status of governance policies of respective Group companies in Japan and abroad. It is important to establish a governance policy at a certain level or above that is applicable across the Group while respecting the autonomy of each company.

To enhance the Company's corporate value, I will continue endeavoring to further increase the effectiveness of governance and ensure full compliance with laws and regulations. Moreover, I will work to improve transparency so that the Company will grow as an enterprise that earns greater respect in society.

Directors

As of August 30, 2023

**Tepei Nagata**

President

April 1980
Joined the Company.
August 2012
Operating Officer
General Manager, Functional Materials
Business Headquarters
November 2016
General Manager, Corporate Planning
Department
General Manager, CSR Promotion Department
August 2017
Director
Senior Operating Officer
August 2019
General Manager, Interior Fittings Business
Headquarters
President and Representative Director,
SUMINOE Co., Ltd.
August 2021
President and Representative Director (present)
Chairman and Representative Director,
SUMINOE Co., Ltd.

Reason for appointment: Mr. Nagata has been responsible for promoting CSR, organizing management plans, and conducting IR activities. He also served as the president of a Group company that is a mainstay of the Interior Fittings segment and has a wealth of experience in working in the Functional Materials segment.

**Eiichiro Kimura**

Director

April 1982
Joined the Company.
August 2013
Operating Officer
August 2018
Representative Director, Suminoe Techno Co.,
Ltd. (present)
General Manager, Development Department
(present)
August 2019
Senior Operating Officer (present)
August 2021
Director (present)

Reason for appointment: Mr. Kimura has been appointed as General Manager of the Development Department and as Representative Director of a Group company that plays a pivotal role in the department. He has been in charge of all aspects of technology and production. He has plenty of business experience in the fields of production technology and technological development.

**Kohei Nomura**

Outside Director

Independent Director

April 1977
Opened Nishikawa & Nomura Law Office (now
Nomura & Partners). (present)
June 2015
Outside Director, MKSystem Corporation
(present)
September 2015
Outside Auditor, JTEC Corporation (present)
June 2016
Outside Director, Audit and Supervisory
Committee Member, ALINCO INCORPORATED
(present)
August 2018
Outside Director of the Company (present)

Expected roles: Mr. Nomura has extensive legal knowledge that he has accumulated for many years as a lawyer. He is expected to appropriately perform his duties as our outside director from an objective standpoint, making effective use of his excellent insight and wide-ranging experience based on his achievements as an outside director and auditor of other companies.

Auditors

As of August 30, 2023

**Kiyokazu Ichikawa**

Full-time Corporate Auditor

April 1982
Joined the Company.
February 2004
General Manager in charge of Production in
Nara
September 2013
Director, T.C.H Suminoe Co., Ltd.
August 2018
Operating Officer
EVP, Suminoe Textile of America Corporation
January 2020
General Manager, Quality Assurance
Department
Manager, Technical Center
August 2020
Full-time Corporate Auditor (present)

Reason for appointment: Mr. Ichikawa has many years of experience in production management at the Group's flagship factory. He has also ample knowledge acquired through his experience in managing and supervising major overseas Group companies.

**Hiroaki Usugi**Managing Director
Representative Director

April 1986
Joined the Company.
August 2010
General Manager, Accounting Division
August 2017
General Manager, Purchasing Department
Operating Officer
August 2019
Senior Operating Officer (present)
Deputy General Manager, Administration
Headquarters
January 2020
General Manager, Corporate Planning
Department (present)
August 2020
Director
August 2021
Managing Director and Representative
Director (present)
General Manager, Administration
Headquarters (present)

Reason for appointment: As the General Manager of the Accounting Division, Mr. Usugi was in charge of accounting as a whole. He has abundant business experience in the field of accounting.

**Norihisa Murase**

Director

April 1983
Joined the Company.
June 2007
Manager, Sales Department, Kinki Block,
SUMINOE Co., Ltd.
July 2007
General Manager, Kinki Block, SUMINOE Co.,
Ltd.
August 2020
Operating Officer
August 2021
Senior Operating Officer (present)
Deputy General Manager, Interior Fittings
Business Headquarters
President and Representative Director,
SUMINOE Co., Ltd. (present)
Department Manager, Sales Department,
SUMINOE Co., Ltd.
August 2022
Director (present)
General Manager, Interior Fittings Business
Headquarters (present)

Reason for appointment: Mr. Murase has been serving as President and Representative Director of a Group company that is at the core of the Interior Fittings segment. He has extensive business experience in this business segment.

**Yumiko Oida**

Outside Director

Independent Director

October 1994
Joined Asahi & Co. (now KPMG AZSA LLC).
April 1998
Registered as a certified public accountant.
August 2008
Director, BRAIN Co., Ltd. (present)
November 2008
Registered as a licensed tax accountant.
June 2019
Outside Director, Audit and Supervisory
Committee Member, SHOEI CORPORATION
(present)
June 2020
Outside Director, COTA CO., LTD.
August 2021
Outside Director of the Company (present)

Expected roles: As a certified public accountant and a licensed tax accountant, Ms. Oida has built up abundant knowledge and expertise in accounting and tax affairs for many years. Based on her experience in managing other companies and her wide-ranging insight, she is expected to contribute to further enhancement of the Company's corporate governance.

**Atsuhiko Sonoda**

Outside Corporate Auditor

April 1988
Joined Takashimaya Co., Ltd.
March 2009
Transferred to Takashimaya Space Create Co., Ltd.
March 2011
Deputy Department Manager, General Affairs
Department, Takashimaya Space Create Co., Ltd.
March 2016
Manager of Accounting, Accounting Department,
Takashimaya Space Create Co., Ltd.
September 2016
Assistant Manager of Finance, Financial Department,
Planning Division, Takashimaya Co., Ltd.
October 2018
Manager of Finance, Financial Department,
Planning Division, Takashimaya Co., Ltd.
March 2019
Deputy Manager, Financial Department, Planning
Division, Takashimaya Co., Ltd.
August 2019
Outside Corporate Auditor of the Company (present)
February 2023
Registered as a licensed tax accountant
March 2023
Operating Officer and Manager, Financial Department,
Planning Division, Takashimaya Co., Ltd. (present)

Expected roles: Mr. Sonoda has professional expertise and abundant experience in corporate management that he has developed while working in the fields of general affairs as well as accounting and financial affairs. We expect that he will capitalize on his background for reinforcement of the Company's auditing system.

**Toshiro Maruyama**

Managing Director

April 1981
Joined the Company.
August 2013
Operating Officer
February 2017
Department Manager, Automotive Textile
Business Headquarters
August 2017
Senior Operating Officer (present)
August 2021
Director
General Manager, Automotive Textiles
Business Headquarters (present)
President and Representative Director,
Suminoe Teijin Techno Co., Ltd. (present)
CEO, Suminoe Textile of America Corporation
(present)
Chairman, SPM Automotive Textile Co., Ltd.
(present)
CEO, T.C.H. Suminoe Co., Ltd. (present)
August 2023
Managing Director (present)

Reason for appointment: Mr. Maruyama has held important positions at domestic and overseas sites in the Automotive Textiles business. Currently he is overseeing the entire business as the General Manager, leveraging his extensive experience in the Automotive Textiles business.

**Haruo Shimizu**

Outside Director

Independent Director

February 1970
Joined Daikin Mfg. Co., Ltd. (current Exedy
Corporation)
June 1994
Director, Daikin Mfg. Co., Ltd.
June 2006
President and Chief Executive Officer, Exedy
Corporation
April 2015
Chairman, Exedy Corporation
June 2016
Corporate Advisor, Exedy Corporation
Outside Director (in charge of Audit
Committee), Bando Chemical Industries, Ltd.
(present)
August 2016
Outside Director, Suminoe Textile Co., Ltd.
(present)
June 2019
Outside Director, Ashimori Industry Co., Ltd.
(present)

Expected roles: As CEO of Exedy Corporation, Mr. Shimizu has developed a wealth of experience and broad insight. We hope that he will capitalize on these assets to give us valuable opinions and suggestions that will contribute to further improvement of the Company's corporate governance.

**Yuko Shibuya**

Outside Director

April 1992
Joined Takashimaya Co., Ltd.
February 2013
General Manager, Luxury Brand Business,
Jewelry and Watch Division, Merchandising
Headquarters, Takashimaya Co., Ltd.
March 2015
General Manager, New Business Development
Group, Sales and Business Operation
Department, Headquarters, Takashimaya Co.,
Ltd.
March 2018
General Manager, Sales Operation and
Merchandising, Takashimaya Singapore Ltd.
March 2020
Director, General Manager, Sales Operation
and Merchandising, Takashimaya Singapore
Ltd.
March 2023
Operating Officer, Deputy General Manager,
Merchandising Headquarters, Takashimaya
Co., Ltd. (present)
August 2023
Outside Director of the Company (present)

Expected roles: We expect that Ms. Shibuya will help the Company further improve its corporate governance, based on a vast amount of experience she has accumulated while serving as an executive officer at Takashimaya Co., Ltd.

**Takafumi Katayama**

Outside Corporate Auditor

May 1991
Joined Marubeni Corporation.
April 2013
Deputy General Manager, Fashion Apparel
Department No.2, Marubeni Corporation
April 2014
General Manager, Functional Materials
Department, Marubeni Corporation
April 2017
General Manager, Functional Textile
Department, Marubeni Corporation
June 2020
President and Representative Director,
Marubeni Intex Co., Ltd. (present)
August 2020
Outside Corporate Auditor of the Company
(present)

Expected roles: What we expect of Mr. Katayama is to help reinforce the Company's auditing system, drawing on his rich experience and insights that he has cultivated at Marubeni Corporation regarding the textiles business.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating results											
Net sales (Million yen)	81,873	88,219	91,182	97,529	96,038	97,872	98,617	91,512	79,702	81,713	94,828
Operating income (Million yen)	1,921	2,809	3,101	2,553	1,297	2,247	3,118	1,557	1,049	110	1,294
Operating margin (%)	2.3	3.2	3.4	2.6	1.4	2.3	3.2	1.7	1.3	0.1	1.4
Ordinary income (Million yen)	2,291	3,401	3,729	2,883	1,364	2,358	2,956	1,323	1,211	950	1,575
Profit attributable to owners of parent (Million yen)	1,045	1,968	1,815	245	26	1,083	467	142	409	281	320
EBITDA (Million yen)	3,224	4,449	4,964	4,447	2,917	3,973	4,888	3,588	3,028	2,026	3,524
Cash flows											
Cash flows from operating activities (Million yen)	3,837	4,479	3,701	1,453	983	3,519	4,760	5,901	4,167	375	1,803
Cash flows from investing activities (Million yen)	-1,676	-1,221	-1,231	-3,211	-2,170	-244	-1,448	-1,536	-754	-1,191	-2,834
Free cash flow (Million yen)	2,160	3,257	2,470	-1,757	-1,186	3,274	3,311	4,365	3,413	-816	-1,030
Cash flows from financing activities (Million yen)	-2,048	-895	-2,756	119	354	-843	-4,964	-1,702	-3,174	-2,074	-52
Financial position											
Total assets (Million yen)	79,901	85,841	90,126	86,878	90,254	92,182	87,975	86,272	83,669	84,801	88,151
Interest-bearing debts (Million yen)	15,483	15,501	15,134	16,959	18,946	19,396	18,548	20,184	18,689	18,999	21,280
Shareholders' equity (Million yen)	19,597	21,552	22,860	22,614	22,111	22,664	20,560	18,641	18,878	19,711	19,458
Shareholders' equity ratio (%)	24.5	25.1	25.4	26.0	24.5	24.6	23.4	21.6	22.6	23.2	22.1
Per share data^{*1}											
Profit per share (EPS) (Yen)	13.85	26.09	24.07	3.25	3.50	143.66	65.36	21.88	64.84	44.44	50.55
Book-value per share (Yen)	385.46	409.77	466.15	441.61	441.23	4,515.26	4,469.04	4,438.11	4,438.67	4,470.49	4,549.75
Annual dividend per share (Yen)	5	6	6	7	7	—	70	50	35	70	55
Payout ratio (%)	36.1	23.0	24.9	215.4	—	48.7	107.1	228.5	54.0	157.5	108.8
Other data											
Ratio of profit to equity (ROE) (%)	3.8	6.6	5.5	0.7	0.1	3.2	1.4	0.5	1.5	1.0	1.1
Capital expenditure ^{*2} (Million yen)	1,571	1,502	1,422	820	2,722	1,171	1,617	3,516	2,677	4,636	2,441
Depreciation (Million yen)	1,302	1,640	1,862	1,893	1,620	1,725	1,769	2,030	1,979	1,915	2,229
R&D expenses (Million yen)	405	371	380	348	289	268	254	1,117	948	984	1,073
Number of employees	2,401	2,554	2,604	2,786	2,830	2,850	2,899	2,822	2,724	2,640	2,779

*1 The Company consolidated its common shares at a ratio of 10 shares to 1 share, effective December 1, 2017. Considering the impact of the share consolidation, the value of the annual dividend per share for the fiscal year ended in May 2018 is omitted.

*2 Capital expenditure for the fiscal year ended May 2020 and later includes not only property, plant and equipment, intangible assets, and investments but also an increase in leased assets owing to the application of IFRS 16 "Leases."

Operation Sites of the SUMINOE GROUP

Overseas Group companies

China

- 1 SPM Automotive Textile Co., Ltd. Guangzhou
- 2 Suzhou Suminoe Koide Automotive Accessories Co., Ltd.
- 3 Suzhou Suminoe Textiles Co., Ltd.
- 4 Suminoe Textile Shanghai Co., Ltd.

India

- 5 Suminoe Teijin Techno Krishna India Pvt. Ltd.

Vietnam

- 6 Suminoe Textile Vietnam Co., Ltd.

Thailand

- 7 Suminoe Koide (Thailand) Co., Ltd.
- 8 T.C.H. Suminoe Co., Ltd.

Indonesia

- 9 PT. Sinar Suminoe Indonesia
- 10 PT. Suminoe Surya Techno

United States

- 11 Suminoe Textile of America Corporation
- 12 Bondtex, Inc.

Mexico

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

Group companies in Japan (head offices)

- 1 Suminoe Textile Co., Ltd. (Osaka City)
- 2 SUMINOE Co., Ltd. (Osaka City)
Planning and sales of interior products, mainly carpets and curtains
- 3 RUNON CO., LTD. (Tokyo)
Planning and sales of interior products, mainly wallpapers
- 4 Suminoe Logistics Co., Ltd. (Ikoma-gun, Nara Prefecture)
Product storage, handling, processing, and delivery
- 5 Suminoe Works Co., Ltd. (Tokyo)
Installation of interior products
- 6 Kansai Laboratory Co., Ltd. (Matsubara City, Osaka Prefecture)
Testing and inspection services
- 7 Suminoe Teijin Techno Co., Ltd. (Osaka City)
Production and sales of automotive textiles, mainly seat covering materials
- 8 Marunaka Souei Co., Ltd. (Osaka City)
Wholesale of traffic facility textiles
- 9 Suminoe Techno Co., Ltd.
Production and processing of carpets, continuous fiber spinning (including recycling), and production and processing of needle punch carpets
Shiga Factory (Koka City, Shiga Prefecture)
Nara Factory (Ikoma-gun, Nara Prefecture)
- 10 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
- 11 Teijin Teclath Ltd. (Inazawa City, Aichi Prefecture)
Production and sales of automotive seat covering materials, chair upholstery fabrics, and clothing textiles
- 12 Owari Seisen Co., Ltd.
Dyeing and finishing of automotive seat covering materials and interior fabrics
Head Office (Ichinomiya City, Aichi Prefecture)
Ishikawa Factory (Nomi City, Ishikawa Prefecture)
- 13 Sewing Hyogo Co., Ltd. (Tamba City, Hyogo Prefecture)
Sewing and processing of fabric products
- 14 INTEC CO., LTD. (Osaka City)
Development, design and sales of test equipment and measuring instruments
- 15 CPO Co., Ltd. (Tokyo)
Interior design, construction and supervision, manufacture and sale of custom-made furniture
- 16 PRETERIOR-TEXTILE Inc. (Osaka City)
Interior finish work and sales of interior options
- 17 Seki Textile Co., Ltd. (Seki City, Gifu Prefecture)
Production and sales of automotive textiles and traffic facilities textiles

Offices/Factories of Suminoe Textile Co., Ltd.

- 1 Head Office (Osaka City)
- 2 Tokyo Branch (Tokyo)
- 3 Nara Factory (Ikoma-gun, Nara Prefecture)
- 4 Shiga Factory (Koka City, Shiga Prefecture)
- 5 Kyoto Traditional Art and Craft Factory (Kyoto City)
- 6 East Tokyo Sales Office (Wako City, Saitama Prefecture)
- 7 West Tokyo Sales Office (Isehara City, Kanagawa Prefecture)
- 8 Nagoya Sales Office (Nagoya City, Aichi Prefecture)
- 9 Hiroshima Sales Office (Hiroshima City)
- 10 Fukuoka Sales Office (Fukuoka City)

Interior Fittings Automotive Textiles Traffic Facilities Functional Materials Arts and Crafts Textiles

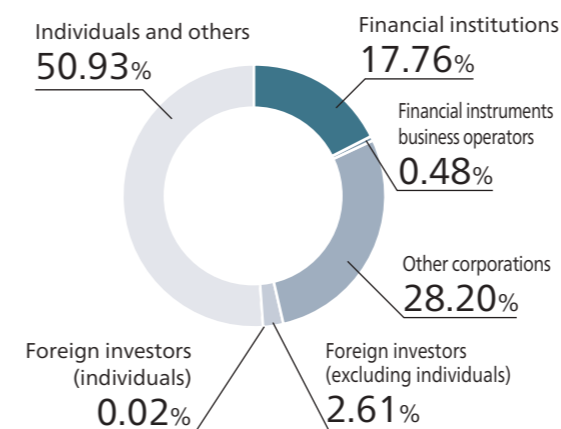
Sales offices of each business segment

- Interior Fittings
- Automotive Textiles
- Traffic Facilities
- Functional Materials
- SUMINOE SHOWROOM

Corporate Summary (As of May 31, 2023)

Company Name	Suminoe Textile Co., Ltd.	Fiscal year end	May 31 each year
Head Office	11-20, Minami-Semba 3-Chome, Chuo-ku, Osaka 542-8504, Japan	Annual General Meeting of Shareholders	Late August each year
Founded	1883	Share unit number	100 shares
Incorporated	December 25, 1913 Suminoe Textile Joint-Stock Company	Stock listings	Tokyo Stock Exchange, Prime Market
Organizational change	December 26, 1930 Suminoe Textile Co., Ltd.	Securities code	3501
Capital	¥9,554,000,000	Shareholder registry administrator	Mizuho Trust & Banking Co., Ltd.
Number of employees	260 (Consolidated group companies: 2,779)	Accounting auditor	KPMG AZSA LLC
URL	https://suminoe.co.jp/en/		
Number of consolidated subsidiaries	29		
Number of equity-method affiliates	2		

Shareholder Distribution



Stock Information

Authorized shares	30,000,000
Issued shares	7,682,162
Number of shareholders	8,645

Major Shareholders

Name	Number of shares (Thousands)	Percentage of total shares outstanding (%)
Takashimaya Company, Limited	924	14.58
Nippon Life Insurance Company	476	7.52
Marubeni Corporation	366	5.78
Hayashi Telemu Holdings Corporation	233	3.67
The Master Trust Bank of Japan, Ltd. (Trust account)	221	3.50
The Master Trust Bank of Japan, Ltd. (as trustee for Retirement Benefit Trust of UNITIKA LTD.)	178	2.82
Suminoe Textile Employee's Association	162	2.56
Suminoe Textile Kyoeikai	159	2.52
Toray Industries, Inc.	129	2.05
Meiji Yasuda Life Insurance Company	115	1.82

*1. Fractions of less than 1,000 were disregarded in the numbers of shares held.
*2. Suminoe Textile Co., Ltd. has treasury stock (1,338,540 shares) but is not included in the above list of major shareholders.
Treasury stock is excluded from the calculation of the percentages of share ownership.