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Integrated Report 2024

SUMINOE GROUP



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 about 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 for achieving sustainable growth, as well as a business overview and the performance of the SUMINOE GROUP. It also includes non-financial information on 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 2024 (From June 2023 to May 2024)
(Some activities undertaken outside the above period are included.)

Information Disclosure System

Financial Information	Non-financial Information
Integrated Report (book and website)	
<ul style="list-style-type: none"> • “Investor Relations” section of the website • Flash Report of Financial Results • Business Report (Japanese only) 	<ul style="list-style-type: none"> • “Sustainability” section of the website • Corporate Governance Report (Japanese only)
Securities Report (Japanese only)	

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 based on assumptions and judgments using information currently available to the SUMINOE GROUP and may include risks and uncertain factors. Therefore, please be advised that the Group’s business results that will be publicly announced in the future may differ significantly from these forecasts due to various factors.

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Supplementary Note

1. The Company will change the trade name from “Suminoe Textile Co., Ltd.” to “SUMINOE Co., Ltd.” effective December 2, 2024, after being approved at the 135th Annual General Meeting of Shareholders to be held on August 29, 2024.
In this Report, “Suminoe Textile Co., Ltd.” is used as the trade name when referencing matters that occurred during the period covered.
2. This Reports uses the term “SUMINOE GROUP” when referring to our corporate group, aligning with its Group Philosophy and the united Group logo, both announced in June 2023. However, in some portions related to documents published in June 2023 and earlier, the term “Suminoe Textile Group” is used as previously.

At a Glance

Founded

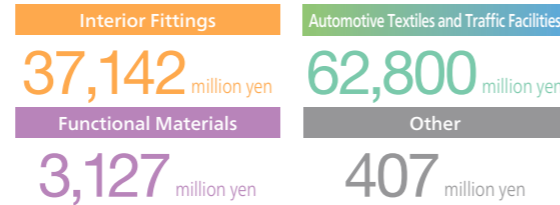
1883

Capital (As of May 31, 2024)

9,554 million yen

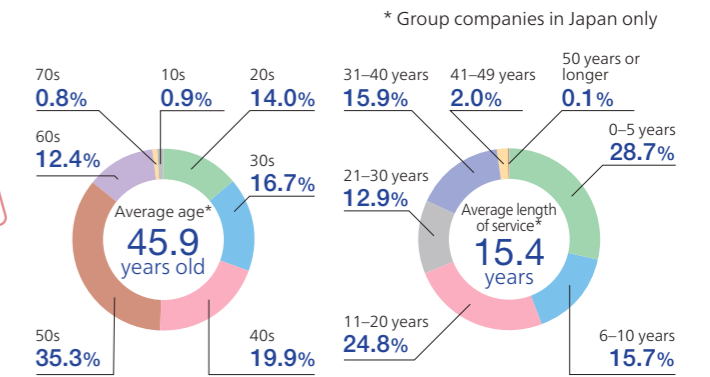
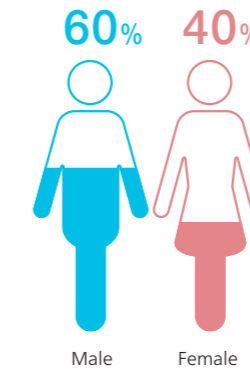
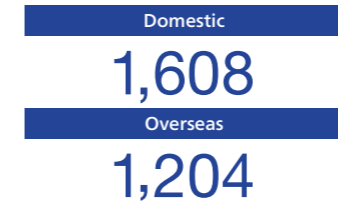
Net sales (Fiscal year 2024)

103,478 million yen



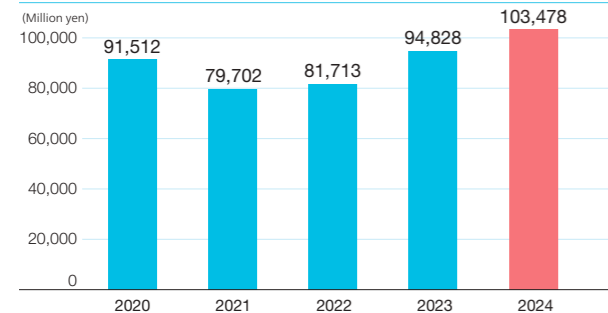
Number of Employees (As of May 31, 2024)

2,812



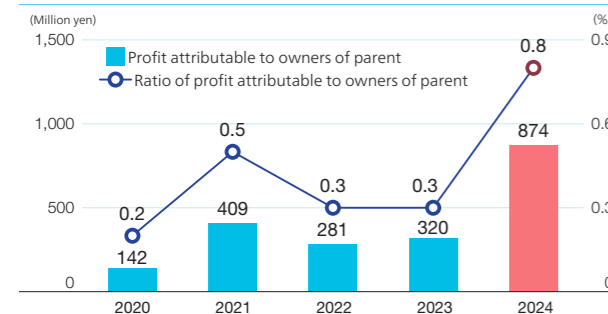
Financial Data (for each FY ended May 31)

Net sales



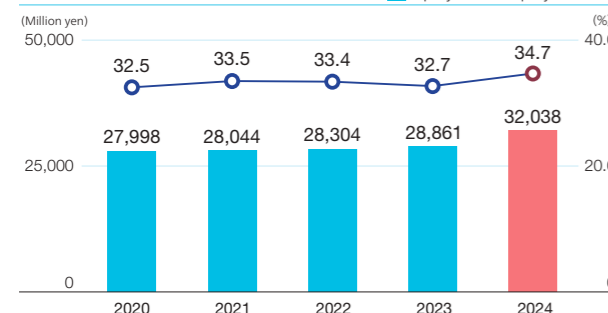
Although net sales had declined following the COVID-19 pandemic, this fiscal year we achieved the highest net sales since 2003, when we began full-scale overseas expansion.

Profit attributable to owners of parent / Ratio of profit attributable to owners of parent to net sales



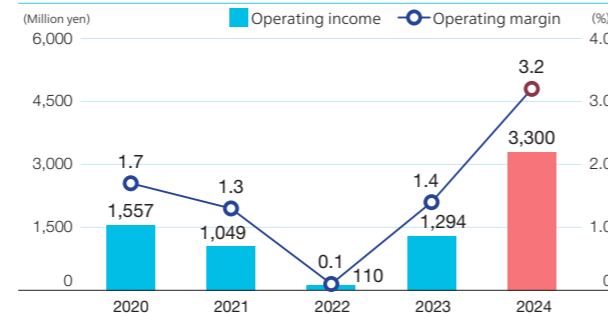
The Company recorded an extraordinary loss due to a provision for loss on sales of shares of subsidiaries and associates arising from share transfer of an entity accounted for using the equity method. However, increase in the net sales as well as in the operating and ordinary incomes exceeded this loss, resulting in a 172.9% year on year increase in profit attributable to owners of parent.

Equity / Equity ratio



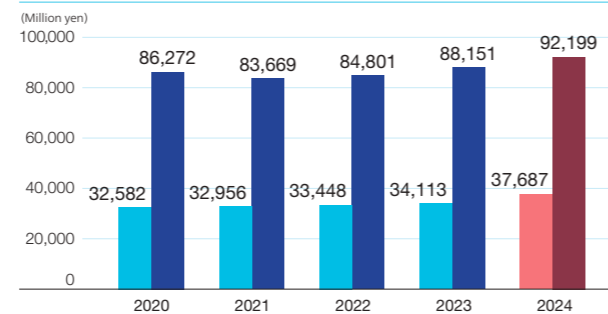
We achieved profitability at the North and Central American bases through business restructuring and partial sale of land and warehouses. Additionally, we are actively working to reduce interest-bearing debt that accumulated in the COVID-19 pandemic.

Operating income / Operating margin



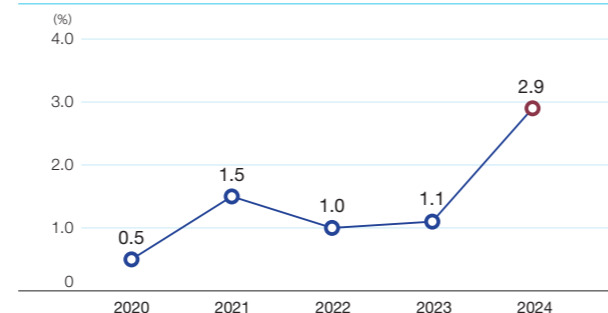
Operating income recovered to the prepandemic level increasing by 154.9% year-on-year, driven by business restructuring at North and Central American bases and implementation of appropriate price pass-through.

Net assets / Total assets



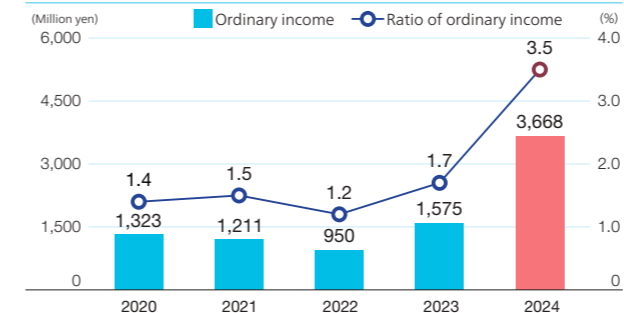
Net assets increased by 3,574 million yen compared to the end of the previous consolidated fiscal year, due to an increase in retained earnings. Total assets increased by 4,048 million yen, due to an increase in property, plant, and equipment.

Return on equity (ROE)



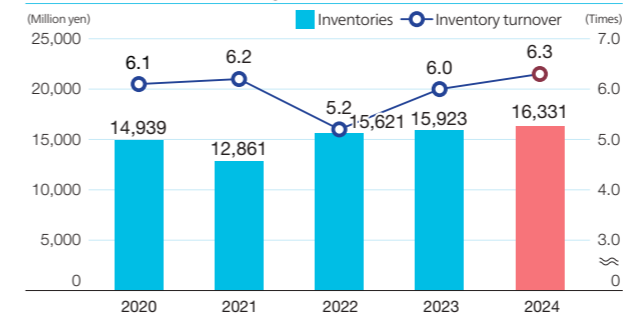
ROE fell below the planned figure. However, we aim an ROE of 8% within the next three years, anticipating profit increase, since initiatives are under way focusing on high-value added areas in the Automotive Textiles and Traffic Facilities segment, as well as the Interior Fittings segment.

Ordinary income / Ratio of ordinary income to net sales



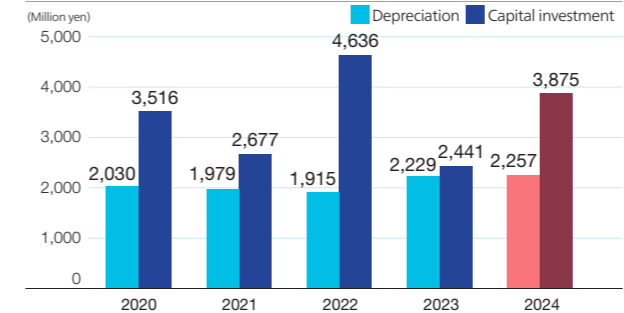
Ordinary income increased by 132.9% on a year-on-year basis, exceeding the published figure, due to higher net sales and operating income, as well as increased foreign exchange gains and real estate rent.

Inventories / Inventory turnover



Inventories increased due to the effect of foreign exchange rates, mainly in the Automotive Textiles business, etc., however, decreased in terms of the actual value. We will continue implementing measures to reduce inventories.

Depreciation / Capital investment

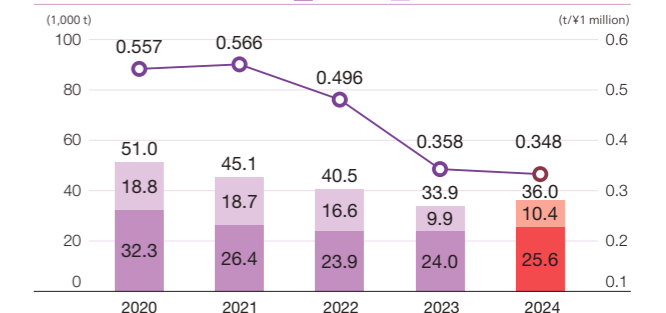


The Group has been making capital investment as planned, for restructuring of its core systems and establishing a new synthetic leather factory in Mexico. We expect that investment will be recovered in the next three years.

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

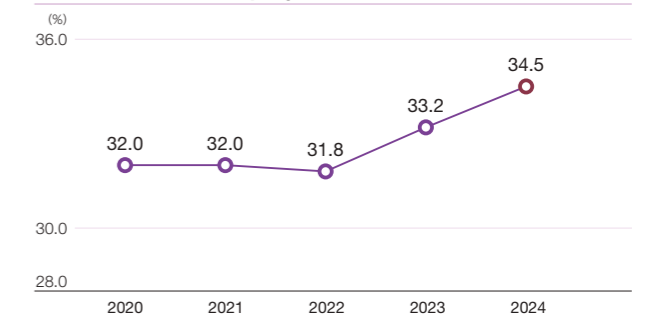
* Group companies in Japan only

CO₂ emissions in the business activities (Scope 1, 2)



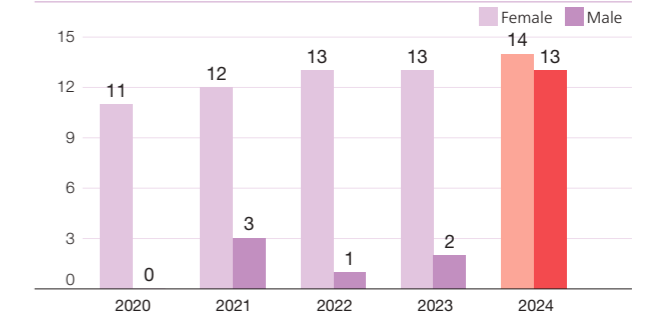
Although CO₂ emissions increased by 2,000 t from the previous fiscal year, we succeeded in reducing CO₂ emissions by approximately 3% in terms of per unit of sales.

Ratio of female employees*



The number of Group employees in Japan totaled 1,608, of which 554 members were female. The ratio of female employees stood at 34.5%, an increase of 1.3% compared to the previous fiscal year.

Number of employees taking childcare leave*



The number of male employees who took childcare leave increased to 13 because of activities implemented in accordance with the Working Style Reform Action Plan 2023 (see p.50).

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	1950s	1980s	2000s	2020s	2024
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	Transition to post-COVID-19 society
<h1>History</h1> <h2>History of the SUMINOE GROUP</h2>							
<p>1883 Murata Factory founded. Manufacture of handwoven carpets begins in Sumiyoshi, Osaka.</p> <p>1892 The Company's first patent obtained for carpet weaving, "Yamato-ori."</p>	<p>1903 Sumiyoshi Factory with full-scale weaving facilities established.</p> <p>1913 Suminoe Textile Joint-Stock Company established.</p> <p>1916 Manufacture of carpets using power looms begins.</p>	<p>1930 Suminoe Textile Co., Ltd. established.</p> <p>1937 Kawachi Factory established, where woolen spinning begins.</p> <p>1949 Shares listed on the Tokyo, Osaka, and Kyoto stock exchanges.</p>	<p>1954 First to introduce to Japan a tufting carpet machine from the U.S.</p> <p>1971 Nara Factory (now Nara Factory of Suminoe Techno Co., Ltd.) established, and Sumiyoshi Factory closed.</p>	<p>1987 Shiga Office established.</p> <p>1994 T.C.H. Suminoe Co., Ltd., the Company's first overseas base, established as a joint venture in Thailand.</p> <p>1998 Suminoe Textile Group "SUMINOE Environmental Declaration" and "KKR+A" announced.</p>	<p>2003 Suminoe Textile of America Corporation established in the U.S.</p> <p>2005 SPM Automotive Textile Co., Ltd. established as a joint venture in China.</p> <p>2013 Suminoe Textile de Mexico, S.A. de C.V. established in Mexico.</p>	<p>2020 Shares of CPO Co., Ltd. acquired.</p> <p>2022 Shares of PRETERIOR-TEXTILE Inc. acquired.</p> <p>Shares of Seki Textile Co., Ltd. acquired.</p> <p>2023 Group Philosophy as well as the Group's unified logo and tagline announced.</p>	<p>2024 Synthetic leather factory newly established at Suminoe Textile de Mexico, S.A. de C.V. Recognized as a Certified Health & Productivity Management Outstanding Organization 2024 (large enterprise category). Announced the latter three-year targets of the Medium-to Long-term Management Targets "SUMINOE GROUP WAY 2022-2024-2027". Amendments to the Article of Incorporation regarding changes in the trade names of Suminoe Textile Co. Ltd. and SUMINOE Co., Ltd. approved at the Annual General Meeting of Shareholders.</p>

Value

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.

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.

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 トリプルフレッシュ® (TRIPLE FRESH) treatment technology, which deodorizes and decomposes substances that cause sick house syndrome and other malodorous substances generated daily in our environment on a 24-hour basis. This technology contributes to the protection of people's health.

2024



● **Promoting development and proposals for eco-friendly products**
By realizing carpet tiles with a higher recycled material ratio and car seat covering materials using スマイトロン® (SUMITRON) recycled fiber made by the Company, we contribute to addressing social issues in respective industries.

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 an 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.

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 to prevent leakage of hazardous substances discharged with wastewater.

1989



● **Development of a continuous fiber made from recycled polyester**
スマイトロン® (SUMITRON), which uses polyester chips recycled from PET bottles as raw material by 50% or more, contributes to resource conservation.

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.

Toward the future



● **Passing on traditional techniques to future generations**
While promoting business reforms, the SUMINOE GROUP maintains and cultivates hand-weaving techniques passed down through Japan's historical industry, thereby contributing to cultural preservation.

We strive to enhance the entire Group's corporate value by encouraging each business to pursue further growth, with the overseas expansion of the Automotive Textiles business serving as a profit driver



A corporate culture, which blends tradition and innovation, as the very source of our competitive advantage

The history of the SUMINOE GROUP dates back about 140 years to its founding, when our founder succeeded in manufacturing carpets as the first of its kind in Japan. Since then, the Group has brought innovation to various spaces. We have participated in many infrastructure projects conducted by the Imperial Household Agency, other government and municipal offices, and the Japan National Railways, among others. In the area of seat coverings used in railway cars, the Group successfully produced Japan's first seat covering materials. Even now, we have hold approximately 80% of the domestic market share in this area. Additionally, the Group has also been engaged in interior work for renowned hotels and creating comfortable office spaces.

One of the key features of the Group is that it has continued to make innovation in these areas while valuing traditional culture and techniques. TANGO TEXTILE Co., Ltd., a Group company located in the Tango Peninsula in Kyoto Prefecture, continues to manufacture *dantsu* carpets, *doncho* curtains and other products by hand weaving or using the hooked rug method, up until today. TANGO TEXTILE has preserved the tradition and culture representative of Japan, by manufacturing custom-made products, including hand-woven *dantsu* carpets delivered to the State Guest House, Akasaka Palace, and the Kyoto State Guest House. As the only one factory that produces hand-woven textiles on this scale in Japan, TANGO TEXTILE plays a prominent role in passing on the traditional craftwork techniques to future generations. While honoring the tradition in this manner, the Group also places emphasis on the development of highly-functional, high value-added carpets. I believe our mission is to bring new products that integrate tradition and innovation to the marketplace, and that this also represents the strength of our Group.

Teppei Nagata

President

The Group's position in the automotive industry

In the Automotive Textiles and Traffic Facilities segment, which is the mainstay business of the Group, currently we provide highly value-added products through the effective use of our one-of-a-kind technologies. With regard to the Automotive Textiles business, the SUMINOE GROUP is positioned as "one of the worlds' most unusual entity." As this suggests, we are among the few manufacturers capable of supplying a total line of automotive textiles, ranging from ceiling materials, seat coverings, floor carpets, car mats, to components of luggage compartments and wheelhouses. Furthermore, we hold patents in a niche field of "decorative fabric materials," including ribbons that enhance the originality of seat coverings, enabling us to create beautiful designs that other companies cannot. This is also one of our strengths. Due to our distinctive technological skills and comprehensive supply capabilities, the Group has been highly acclaimed as "a uniquely innovative manufacture" by both Japanese and non-Japanese automakers. This favorable reputation has provided us with opportunities to enter new markets.

Furthermore, the Group strives to expand the Automotive Textiles business by developing new technologies for adding synthetic leather to decorative fabric materials. While there are various competing products, the Group has been focusing on developing synthetic leather that contributes to environmental protection and improves fuel economy through weight reduction. We are also working on activities to increase orders mainly in the North and Central American market, leveraging our design capability and embossing technologies we have cultivated through the fabric business so far. Through these efforts, we aim to further differentiate us from others in the synthetic leather field and maximize the strengths of the Group.

As for our future strategies, after strengthening our presence in the North and Central American market, we plan to expand into the Indian market. Another important business task is to establish a base for advancing into the European market. Through these measures, the Group will accelerate global business expansion. Additionally, we are considering increasing production of car mats and floor carpets to meet future market trend and demand. By using high-quality synthetic leather featuring excellent design as our growth engine, the Group will pursue further global development and strengthen its competitiveness in the world market.

For many years, the SUMINOE GROUP has developed various technologies and products geared for the automotive industry. However, we may have underestimated our Group's capability. For example, the initiatives of the Group have been highly regarded by foreign automobile manufacturers. During our factory tours, they are often amazed, saying "You are doing such great things." These reactions reaffirm the high value that the Group offers. Among other things, foreign companies are attracted most strongly to our strength of being a total supplier. The Group has attracted much attention since it can offer comprehensive services that are unrivaled by others, leveraging its textile processing technologies and product line that covers the entire vehicle space. As such, I believe that we should forge ahead with business expansion with greater confidence.

Foundation for innovation and growth in the Automotive Textiles business

The Group has continuously innovated for many years, being a pioneer in the interior industry. A prime example is *スミトロン* (SUMITRON), the Group's proprietary recycled polyester fiber. It was originally developed as a polyester fiber for carpets, over 30 years

ago. This voluminous recycled polyester fiber, made through the three-dimensional crimp processing, turned out to be an innovative product in the carpet industry. Subsequently, the fiber was widely adopted for surface covering materials of electric carpets.

After a few decades, this technology was applied in the automotive industry. We re-developed *スミトロン* (SUMITRON), which had conventionally been used as carpet yarn, as a material for car seat covers that fit in with an active image of SUVs. This fiscal year, this automotive textile was adopted by Toyota Motor Corporation for the Land Cruiser "250," as the carmaker highly evaluated it for using 50% or more recycled polyester. Moreover, Toyota Motor Corporation conducts recycling-oriented initiative to produce *スミトロン* (SUMITRON) by recycling PET bottles discarded from its plants and offices. This initiative is drawing attention as the first of its kind in the world.

The automaker-supplier collaboration that has realized this recycling-oriented initiative blazed a trail in the entire industry. The concept of converting carpet yarn into vehicle seat covering material demonstrates the Group's technological capabilities and innovation. It can be said that the concept came to fruition again in a new genre after three decades. Based on this accomplishment, we will continue to realize more innovative initiatives.

The Group's corporate value from the viewpoint of an executive officer

I have worked in the Functional Materials business for more than 30 years. Judging from my own experience, I am proud that the Group's technological capabilities, particularly in carpet manufacturing and additional processing technologies, are unique and not imitable by other companies. For example, our deodorizing, water-repellent, and allergen reduction technologies can be applied to a variety of fields. These technologies are not dependent on the specific materials, enabling additional processing to provide each function to various textiles afterward. Using these technologies, we have succeeded in advancing into other industries, as exemplified by the deodorizing filters for household appliances. As this history illustrates, without being self-complacent about its position as a long-established interiors manufacturer, the SUMINOE GROUP has consistently pursued progressive initiatives to offer new value by applying a broad range of technologies. I am confident that this indicates the profundity of the Group.

As our Company Motto includes the word "sincerity," the Group places the utmost importance on trust. This attitude serves as the foundation for establishing long-term transactions and relationships of trust with stakeholders, and has been well-received by partners in different industries. To be honest, however, I believe that our investor relations are sometimes deemed conservative and not sufficiently appreciated, probably because of our overly serious approach. We should therefore work on public relations more actively, since we have many more technologies and products that have great potential within the Group.

About latest business conditions

Regarding business performance in the fiscal year ended May 31, 2024, profit attributable to owners of parent was impacted by the recording of a provision for loss on sales of shares of subsidiaries and associates arising from share transfer of Sumisho Airbag Systems Co., Ltd., an entity accounted for using the equity method. However, net sales, operating income and ordinary income exceeded the Company's forecast figures. Notably, net sales and operating income reached record-setting levels, while ordinary

income maintained almost the same level.

In the Automotive Textiles business, we saw steady results of measures taken in the COVID-19 pandemic, while benefiting from the weaker yen. Our U.S. business base, which had been in the red for many years, achieved profitability in the past two years since I became the President of the Company. This is an example of significant outcomes of efforts we have made at our North and Central American bases. Looking into the future, we invested 3 billion yen in purchasing land and constructing a new factory at our subsidiary in Mexico. We also secured a large order for floor carpets from a major foreign automobile manufacturer in the United States. In this way, our investment in the Mexican subsidiary has been showing smooth progress, and we expect further growth of the subsidiary.

The Interior Fittings segment improved its overall performance due to the recovery in demand for products designed for hotels, etc. However, in the area of household products, performance was affected by the lingering backlash from the inward-looking consumption behavior during the COVID-19 pandemic, resulting in a slight profit decrease despite the sales increase in the segment as a whole. For household carpets, we plan to develop high-value added products corresponding to the middle- to high-end product range, where the Group has strengths, thereby further enhancing our competitiveness.

In the Functional Materials segment, orders for fabric-coated heating products significantly decreased due to an unusually warm winter, negatively impacting business performance. We are currently working to reorganize the factory in Vietnam, which we also plan to utilize as a manufacturing factory for the Automotive Textiles business. In addition to fabric-coated heating products, we are promoting the development of small household appliances for summer and all-season use, while focusing on expansion of the OEM business. Toward business turnaround and growth of the Functional Materials segment, the Group aims to produce great results within several years.

Policy for further overseas expansion

As an immediate priority, the SUMINOE GROUP will focus on the North and Central American bases, aiming to maximize the return there. Business growth in these regions is key to expanding the business scale and achieving the target of increasing the operating margin to 5%.

With a view to further growth, the Group pays attention to the Indian market as mentioned earlier. Currently, many Japanese automakers are facing difficult circumstances in the Chinese market, with increasing geopolitical risks. For this reason, it is certain that the Indian market will be a central pillar for future growth. The Indian market is expected to see automobile production double in the coming years. Given this situation, we anticipate the necessity for making investment with an eye toward on-site production of synthetic leather. The Group has already made its way into India by establishing a joint venture. Although it had to fight hard initially, as a result of its efforts to acquire orders that provide the most profit, the joint venture has now grown to achieve a high profit margin.

We are aware that additional investment in the Indian market must be made at the right time. If it is too early, we may take a high risk, but if it is too late, we may face difficulty in entering the market. Determining the right timing is critical in achieving future growth. We will develop concrete strategies while clearly identifying the growth potential in the market.

Changing the trade name looking ahead to new growth From "Suminoe Textile Co., Ltd." to "SUMINOE Co., Ltd."

The Group marked the 141th anniversary since its founding. To continue growing in the next 100 and 200 years, the Company will change its trade name to SUMINOE Co., Ltd. in December 2024.

Behind the decision about this change is a future vision that we developed in the light of growth and changes in business conditions while valuing the tradition of the previous name "Suminoe Textile." In the present-day business environment, we found it difficult to grow into a company producing sales at the level of 200–300 billion yen while maintaining "Textile" in the Company's name. Furthermore, we felt that the name "Suminoe Textile" posed some limitations for expanding globally. For these reasons, we judged that the trade name should be changed. In addition, we noted that Japanese people nowadays have some difficulty reading the Chinese characters "住江 (Suminoe)." The previous name of the Company had a traditional value as it was derived from a famous tanka poem. However, from the perspective of global expansion and inheritance to the next generation, we thought that it is a natural choice to use the alphabetical expression "SUMINOE" instead of the above Chinese characters.

Needless to say, we will seek the development in a new stage while continuing to value traditional textile techniques. As part of such efforts, we are sure that this trade name change is an important step toward future growth.

In conjunction with this change, a subsidiary of the Company, SUMINOE Co., Ltd., which plays a pivotal role in the Interior Fittings segment, will change its trade name to "SUMINOE Interior Products Co., Ltd." The new name highlights the company's position as a manufacturer and reflect its commitment to "providing our customers with satisfaction" by improving its comprehensive customer service. Making the most of the synergy with the space design business, the Company will strengthen its capability to make proposals for the betterment of the entire space.

Taking on challenges to create new value

Under the tagline "Bringing innovation to all kinds of spaces," the SUMINOE GROUP strives to create new space value. In the course of offering products associated with various kinds of spaces, we aim to evolve existing products to be more user-friendly and have higher added-value. It can be said that another important theme for us is to provide a new form of comfort by addressing inconveniences and other problems in today's everyday life.

The Group also focuses on expansion of the space design business in the Interior Fittings segment. We have steadily worked in enlarging our business domain through M&A. As a result, sales of the space design business have increased to more than 4 billion yen, which accounts for a little over 10% of the whole segment. Since this business field still has growth potential, we will take a promising opportunity for M&A whenever possible in the future. The Group aims for further growth especially by entering into new fields where we have not yet operated.

Along with creating of new value, reinforcement of the financial base is an important business task as well. Currently, the Company's equity ratio stands at 34.7%, and interest-bearing debt has been reduced from 22 billion yen to 18 billion yen. However, these figures are still insufficient for the Group, which has set the D/E ratio of 0.5 times as the target. To achieve the target, interest-bearing debt must be reduced to around 15 billion yen. We will make continued efforts to decrease interest-bearing debt, also in response to the increase in interest rates.

Additionally, we will reduce and liquidate cross-shareholdings in stages. Through these initiatives, we plan to further stabilize the

financial structure and improve cash flow, ensuring an enterprise is strong enough to make necessary investment in a speedy manner. It is essential to secure sufficient cash for new projects that we plan to implement in the future, including investment in the Indian market. We will therefore strive to steadily increase the bottom line while maintaining the appropriate profit levels.

Exerting the Group synergy

Previously, each of the Group's business segment displayed its own strengths individually by functioning like an independent enterprise. However, this left us with a task of generating synergies across the Group. For example, it was common that employees working for the Automotive Textiles business had little knowledge of what their peers in the Interior Fittings segment were doing.

To improve that situation, the Company has been holding events called "Tsunagu-wa-cation", which bring together employees from different departments to provide them with opportunities to deepen mutual interchanges through opinion exchanges and meetings.

In the design area, we offer opportunities for designers of Interior Fittings, Automotive Textiles, Traffic Facilities, etc. to meet together, as part of our efforts to create an environment where they can share different perspectives and be stimulated by each other. For instance, in the past, members of respective departments separately attended the Salone Internazionale del Mobile di Milano, which is one of the world's largest furniture fairs held in Italy. To address this situation, we plan to hold a meeting at which participants announce their observation reports, in order to share each department's design views and approaches, through which we expect to produce mutually beneficial results.

I believe that initiatives mentioned above will strengthen the cooperation systems within the Group and generate greater synergies. I also feel that the awareness of the "SUMINOE GROUP" has gradually become instilled among employees. In the future, we will continue these initiatives to accelerate the organization-wide growth by maximizing the Group synergy while strengthening our presence in diverse business fields.

Evolving into an enterprise where individual employees take pride in their jobs

As an executive officer, I believe that the Group must be an enterprise that arouses hopes in the minds of employees, motivating them to play more active roles or to work hard to perform better in their companies. To achieve this, we need to make improvements on various aspects, including compensation for employees and the employment environments. If a company is to achieve growth, it is vital that its employees take on new challenges and work with enthusiasm. Ever since I assumed the presidency of the Company, I have always been requesting employees to develop the attitudes of "embracing new challenges."

However, due to the lingering economic slump following the bankruptcy of Lehman Brothers, compensation for employees decreased, in the context of stagnant performance during the COVID-19 pandemic. Now as we recover from the pandemic, I believe it is crucial to steadily increase the employee compensation to the appropriate levels, in order to ensure retention of employees and the Company's growth. Since I am aware that the situation has not yet improved sufficiently, we will continue to upgrade the reward system in a step-by-step manner. Accordingly, the Group must secure the bottom-line profits.

Our transformation is making solid progress. However,

I feel that it is only half finished. I am certain that creating an environment that enables employees to enjoy working with pride will lead to realizing the ideal state of the SUMINOE GROUP, and that it is indispensable for sustainable corporate growth.

Toward mid- to long-term sustainable growth

The Group has consistently expanded the scope of each business field. As a result, its most recent net sales amounted to 103,400 million yen. We also confirmed that the Company satisfied the continued listing criteria for the Prime Market as of May 31, 2024. Nevertheless, considering sharp fluctuations in the Company's share price, we are aware that we still have some other tasks remaining to be addressed. We will strive to consistently maintain compliance with the continued listing criteria and to achieve further growth in the future to evolve into a 2 hundred-billion-yen enterprise. To this end, it is essential for the Group to strengthen its comprehensive capabilities, in addition to expanding the business fields and increasing profits. In conjunction with these efforts, we need to promote powerful branding strategies.

Looking back, in the late 1950s, the Company was known nationwide through a TV commercial as a growth company that succeeded in popularizing carpets, which were high-end products until then. However, after reaching a stable stage, the Company did not focus enough on branding activities. Unfortunately, now the Company attracts little attention in the media, as a small to medium-sized listed enterprise. To move out of the present situation and to be widely recognized by society, the Group must conduct vigorous branding activities while enhancing its comprehensive corporate strengths.

Meanwhile, in response to the increasing significance of sustainability in corporate activities, the SUMINOE GROUP identified materiality (key issues) in June 2024, taking into account both the importance for stakeholders and the importance for the Company's long-term business activities. The objective was to realize the creation of the Group's medium to long term corporate value. Going forward, we will implement specific initiatives to achieve our targets.

The Group is convinced that it can acquire the ability to achieve sustainable growth and improve corporate value, by continuously bringing innovation to all kinds of spaces. We will strive to further improve the ability to make a greater contribution to society as an enterprise that are closely engaged in your daily life. Simultaneously, we will enhance corporate value by raising numerical targets for business performance and increasing the bottom-line profits, and then cyclically use the results for even further growth.

We remain committed to being a corporate group that deserves attention of stakeholders. We would appreciate your continued interest in the future developments of the Company.



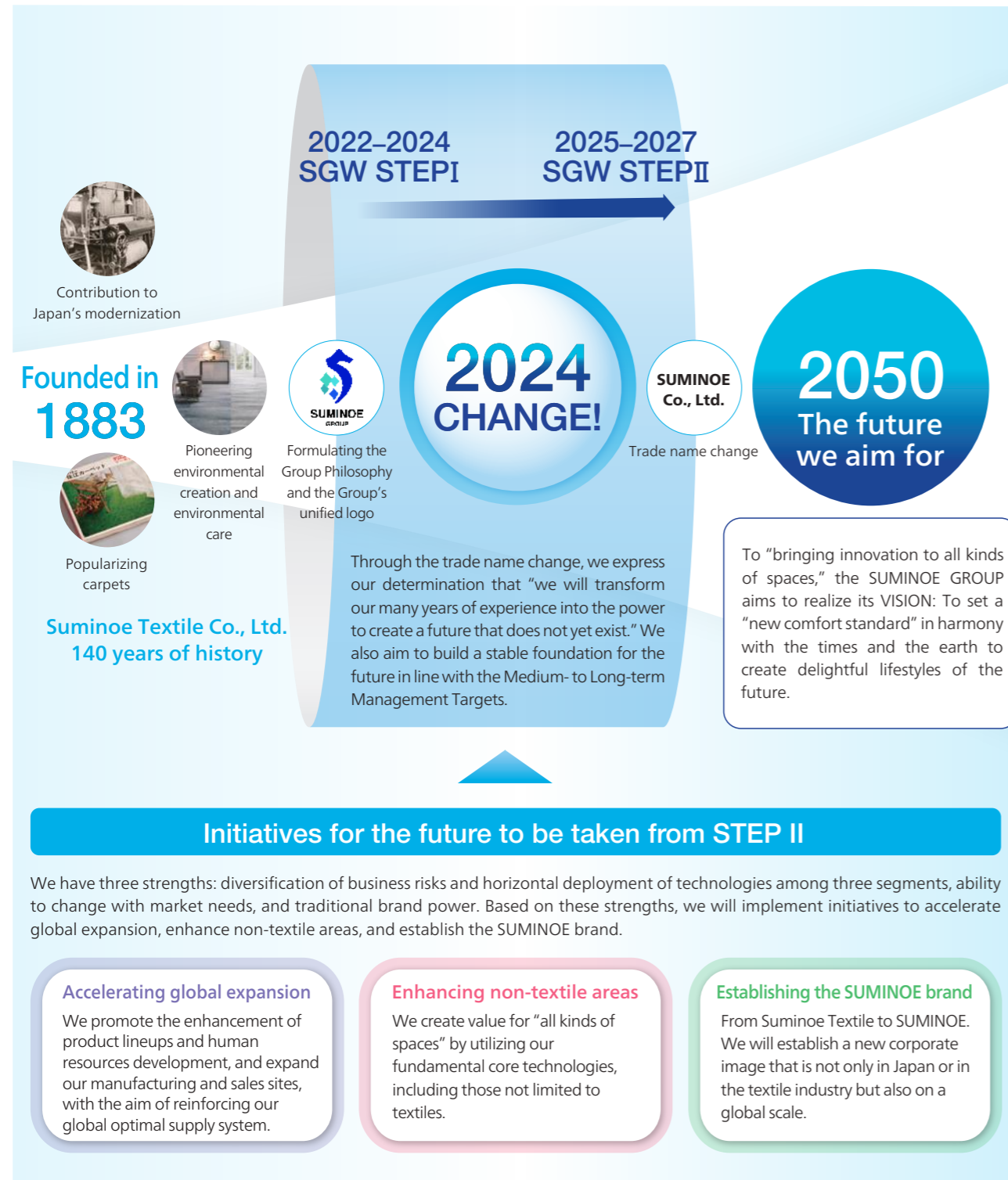
History of the SUMINOE GROUP's transformation and initiatives to achieve the future it aims for

Since its founding in Sumiyoshi, Osaka, in 1883, as a pioneering interior manufacturer, the SUMINOE GROUP has provided customers with a wide range of textile products and expanded its business domain while responding to the needs of the times.

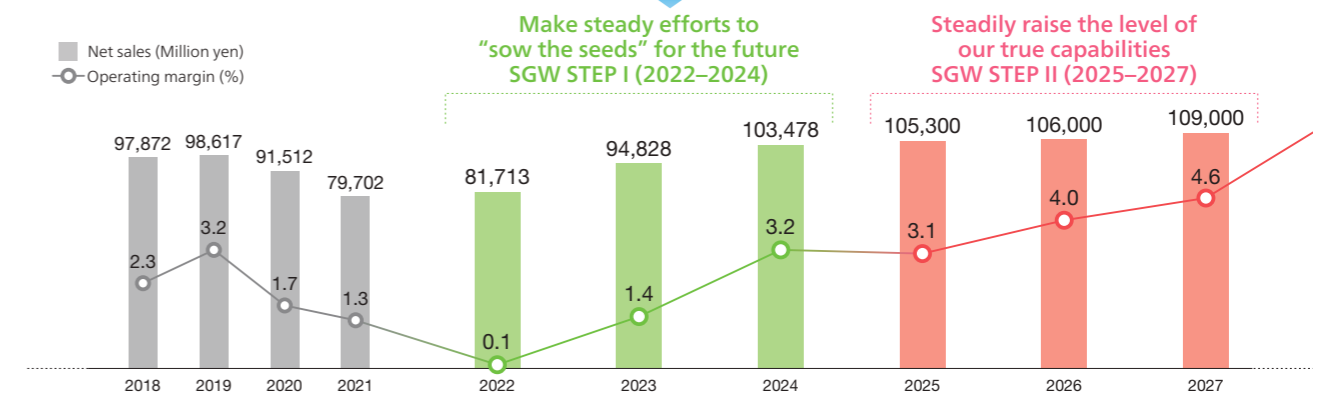
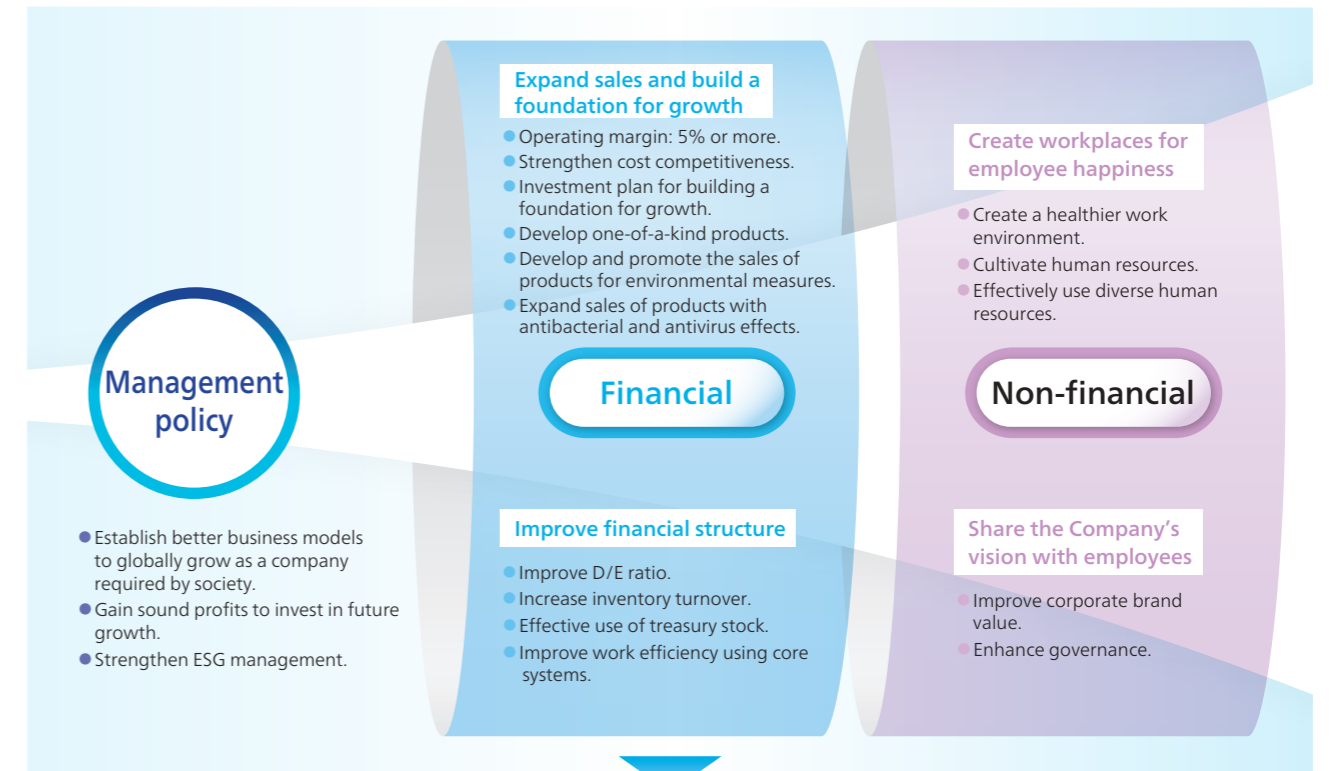
In July 2021, the Group announced the "SUMINOE GROUP WAY 2022-2024-2027 (hereinafter SGW)," which spans six years in two phases and is already under way. In the STEP I (2022-2024)

for the first three years of the SGW, we have steadily worked to "sow the seeds" for the future. In 2024, we newly formulated the STEP II (2025-2027) for the latter half of the SGW, which is positioned as a period in which we will steadily raise the level of our true capabilities.

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



Overall picture of Medium- to Long-term Management Targets



Review of SGW STEP I (2022-2024)

SGW STEP I plan and results

➔ Net sales and operating income achieved the plan

(Million yen/FY ended May 31)

	2024	2024
	Plan	Results
Net sales	93,490	103,478
Operating income	3,300	3,300
Operating margin	3.5%	3.2%
Return on equity (ROE)	6.6%	2.9%
Capital investment (3-year total)	10,000	10,953

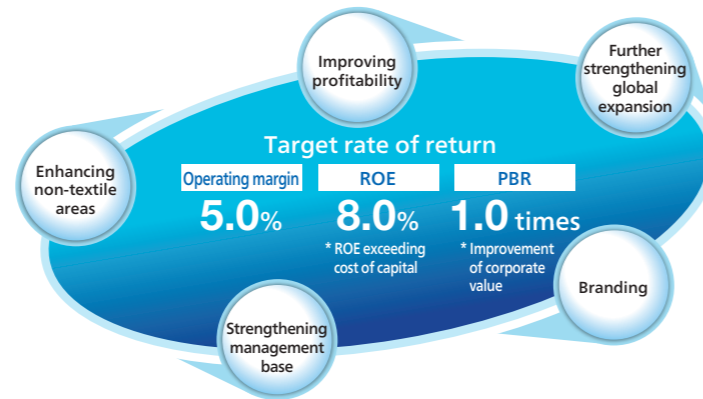
Achievements

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

Policy of SGW STEP II (2025–2027)

Priority themes for STEP II

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



Tasks, strategies, and policy of each segment

Automotive Textiles

Tasks

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

Strategies and policy

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

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



Traffic Facilities

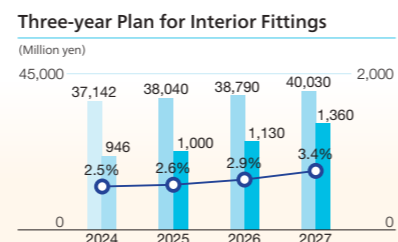
Tasks

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

Strategies and policy

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

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



Interior Fittings

Tasks

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

Strategies and policy

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

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

Functional Materials

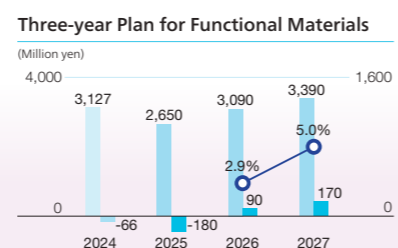
Tasks

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

Strategies and policy

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

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



Consolidated income and expenditure plan

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

	2024	2025	2026	2027	STEP I and STEP II comparison of final year	
					(%)	(Amount)
Net sales	103,478	105,300	106,000	109,000	+5.3%	+5,521
Operating income	3,300	3,300	4,200	5,000	+51.5%	+1,699
Operating margin	3.2%	3.1%	4.0%	4.6%		
Ordinary income	3,668	3,400	4,200	5,000	+36.3%	+1,331
Profit attributable to owners of parent	874	1,500	2,100	2,600	+197.3%	+1,725
Exchange rate Yen to 1 USD	145.31	144.00	131.00	125.00		

Net sales by base

(Million yen/FY ending May 31)

	2024	2025	2026	2027	STEP I and STEP II comparison of final year	
					(%)	(Amount)
Net sales	103,478	105,300	106,000	109,000	+5.3%	+5,521
Japan	67,793	68,900	71,100	73,000	+7.7%	+5,207
North and Central America	18,469	18,700	17,300	18,700	+1.2%	+230
China	8,098	8,000	7,800	7,900	-2.5%	-198
Asia	9,116	9,700	9,800	9,400	+3.1%	+282

Action to implement management that is conscious of cost of capital and stock price

*For details, see p.35.

Analysis of current situation

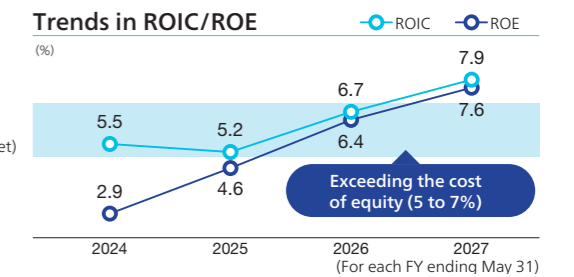
Cost of equity 5 to 7%
Calculation... Calculated using CAPM, risk-free rate (approx. 1.0%) + beta value x market risk premium (approx. 6.0%)
The risk-free rate is based on domestic long-term interest rates, and the beta value is calculated in-house.

ROE 2.9% (FY2024 results)
PBR 0.5 times (FY2024 results)

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

Policy

ROE 8.0% (FY2027 target)
ROIC 8.0% (FY2027 target)
PBR 1.0 times (FY2027 target)
WACC 4.0% (FY2027 target)
Dividend payout ratio 38% (From FY2025)



Initiatives to improve ROIC/ROE

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

Improving profitability

- Increase profits in North and Central America
- Improve profitability of Interior Fittings segment
- Adjust cash and deposits and borrowings to appropriate levels

Optimization of inventory

- Utilization of fixed assets
- Utilization of internal reserves

Management with inventory turnover

- Improving utilization rate of production facilities
- Returns to shareholders and investment in human capital

Cash allocation

Operating CF
FY2025 to FY2027: 11.0 billion yen

- Capital investment/M&A: 8.0 billion yen
- Restructuring core systems: 0.5 billion yen
- Investment in development: 0.5 billion yen
- Human investment
- Shareholder returns

Liquidating assets
Reduction of cross shareholdings
Utilization of idle assets

Effective use of treasury stock

Policy on shareholder returns

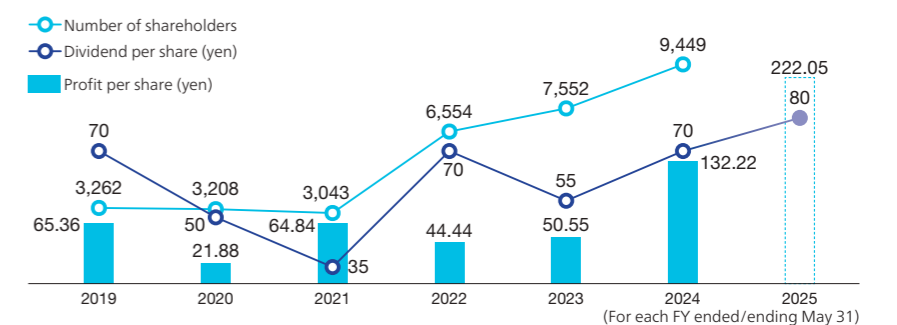
We believe that returning profits to shareholders is an important management issue. We will continue to ensure stable dividend payment and properly allocate the surplus, taking into consideration the trends in business performance.

Stable shareholder returns

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

Continuous expansion of returns

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



Identifying Materiality

In the Medium- to Long-term Management Targets “SUMINOE GROUP WAY 2022-2024-2027” (hereinafter SGW), the SUMINOE GROUP identified its five key sustainability issues. Amid the increasing importance of sustainability in corporate activities, in June 2024, we identified six materiality issues, in line with the Basic Policy on Sustainability and Related Policies

(formulated in 2022), and the SUMINOE GROUP Philosophy (formulated in 2023). The objective was to create medium- and long-term value taking by considering both the importance for stakeholders and the importance for the Company’s long-term business activities.

Selection of members in charge of materiality identification

To conduct the identification procedures, we organized the general committee and subcommittees on materiality identification. The general committee consisted of 14 members selected from respective departments of the Company. The subcommittees comprised representatives of Headquarters & Administration Headquarters, division managers of respective business headquarters, and relevant managers, with the CSR Promotion Department serving as the secretariat. At meetings of the general committee and subcommittee, members worked on materiality identification while seeking advice from experts.

Materiality identification process



STEP 1 ● Understanding and identifying the external environment and social issues (CSR Promotion Department)

After understanding and identifying the external environment and social issues in September 2023, the CSR Promotion Department analyzed the “risks and opportunities” for materiality identification.

STEP 2 ● Identifying sustainability themes (General committee on materiality identification)

Stakeholder engagement was implemented from the two perspectives: ❶ the Group’s business model sustainability, individuality and originality, which is required by investors, and ❷ ESG issues. We then identified sustainability themes that led to materiality identification.

- Sustainability, individuality and originality were categorized into → “Materiality for profitability enhancement through business” → “Value creation/Revenue opportunities”
- ESG issues were categorized into → “Materiality for business foundation” → “ESG”

STEP 3 ● Identifying materiality (General committee and subcommittees on materiality identification)

At the general committee meetings, after sharing the Group’s risks and opportunities, members identified and shared the themes regarding stakeholder engagement. These themes were analyzed and evaluated based on the two axes: degree of importance for stakeholders and degree of importance for the Company’s long-term business activities. By classifying them into the six categories mentioned below, members identified materiality.

● Main contents in materiality identification

- 1 Provision of valuable products and services**
Importance of marketing, intellectual property initiatives, integration of core technologies, creation of new product lines, space design business, disseminating brand information through social media, development and culmination of traditions and techniques, development of mono-material products, long-life products and recycling-oriented products, and creation of environmentally friendly technologies and products
- 2 Preservation of the global environment**
Development of internal systems to address environmental issues, initiatives to reduce CO₂ emissions, calculation of Scope 3 emissions, plans for reducing energy consumption and for introducing renewable energies, strengthening of environmental education, identification of issues through CDP responses, and information disclosure in accordance with the TCFD recommendations
- 3 Human resources strategy**
Respect for human rights, promotion of women’s participation, human resources development, strategic human resources management, reform of human resources management and evaluation systems, penetration of the Group’s Philosophy, strengthening communication between departments, improvement of engagement, and promotion of work style reform
- 4 Product safety and quality**
Development of internal systems regarding product and safety, human resources education regarding quality, and reinforcement of quality-related internal audit
- 5 Sustainable procurement**
Sustainable procurement initiatives and methods of continuous implementation
- 6 Enhancement of governance**
Responses to the Corporate Governance Code, initiatives to address issues identified through the questionnaire survey regarding the effectiveness of the Board of Directors, the way of planning for succession, prevention of serious incidents, and cyber security measures



Regarding the identified six materiality issues, members having knowledge of each theme were selected to exchange opinions from a medium- and long-term perspective, so that themes and targets were formulated (see pp. 17–18).

Meetings of the materiality subcommittees were also attended by members from departments that were not related to the respective themes. Meeting participants held meaningful discussions on matters other than materiality identification, including internal issues and establishment of organizational systems and structures in their companies, from a sustainable viewpoint.

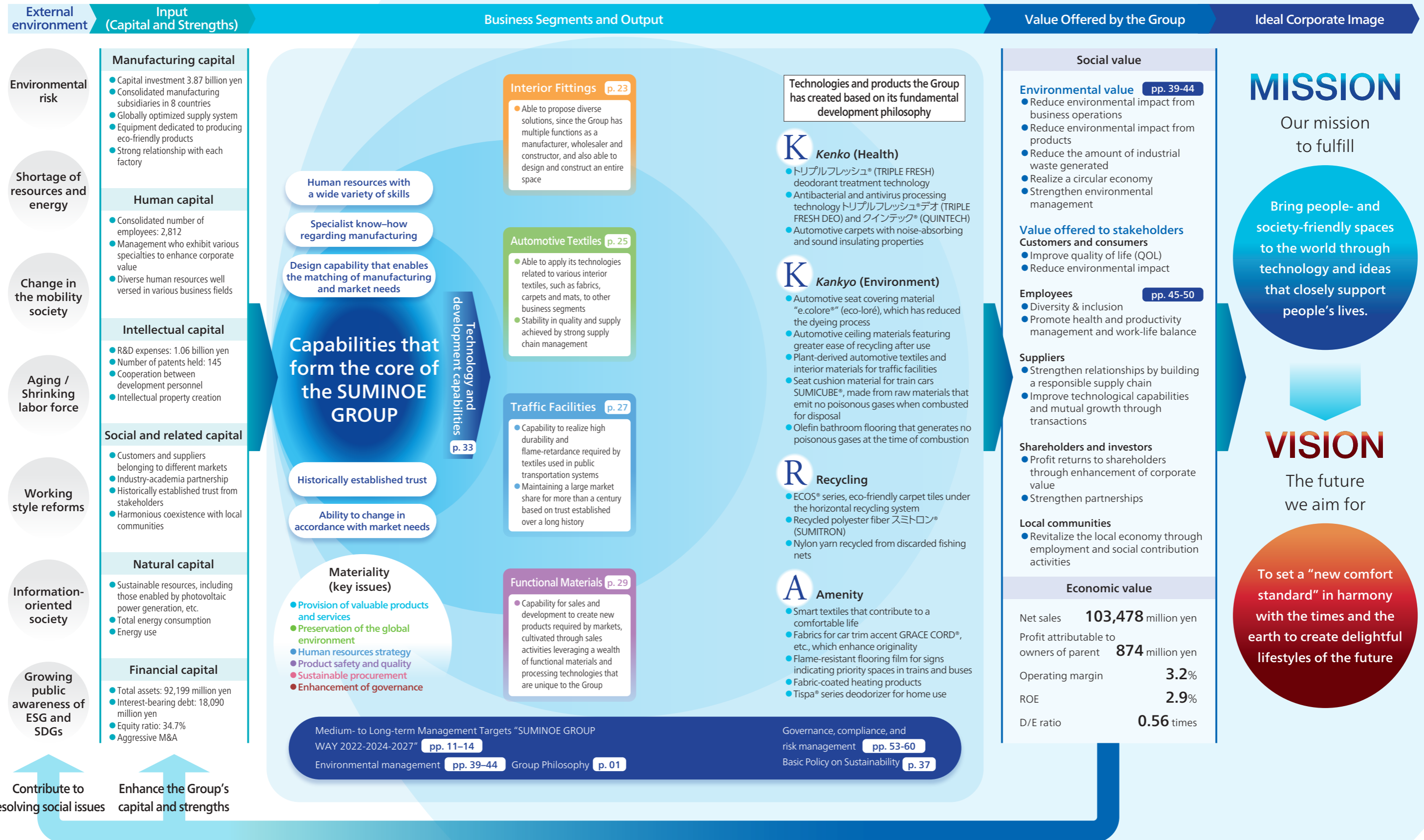
As for the results of initiatives to address the key sustainability issues in the SGW challenges in fiscal year ended May 2024, please tap the following link: [Initiatives for ESG | Sustainability | CSR | SUMINOE Co., Ltd.](#)

Category	Materiality (Key Issues)	Themes	Targets
Value creation/ Revenue opportunities	Improve the social value of the SUMINOE brand through innovation. Provision of valuable products and services	● Pursuit of design, texture and functionality to provide a comfortable environment in any space	· Develop functional products that meet social needs, products that are beneficial for health, and high added-value products. · Promote space proposal business./Strengthen the SUMINOE brand.
		● Inheritance and development of traditions and techniques	· Inherit traditions and techniques while creating new value. · Continue our business beyond the 150th year anniversary and into the future.
		● Development, manufacture and sales of environmentally-friendly products	· Reduce CO ₂ emissions throughout the product life cycle. · Contribute to a recycling-based society./Create environmentally friendly products through new technology development.
E (Environment)	Under our fundamental development philosophy "KKR+A (Kenko [Health], Kankyo [Environment], Recycling and Amenity)" and "Environmental Declaration," we will promote the concept of "harmony with the earth." Preservation of the global environment	● Response to climate change issues	· Reduce greenhouse gas emissions in business activities.
		● Energy-saving and highly efficient production	· Reduce energy consumption./Use renewable energy.
		● Efficient use of resources/reduction of waste	· Promote the 3Rs (reduce, reuse, recycle).
		● Reinforcement of the environmental management system	· Establish an internal management system for the environment. · Enhance awareness and penetration of environmental issues among employees.
		● Biodiversity conservation	· Implement business activities that consider biodiversity.
S (Society)	We will create an organizational culture where diverse human resources can work with motivation and thrive in a safe, secure environment. Human resources strategy	● Respect for human rights and diversity & inclusion	· Respect human rights and prevent of all forms of harassment. · Ensure fair and non-discriminatory treatment in all aspects of employment./Create a corporate culture that embraces diversity.
		● Human resource development and utilization	· Develop next-generation leaders, global human resources, and digital transformation personnel./Ensure optimal allocation of personnel within the Group. · Revitalize human resources through optimal personnel allocation and ideal evaluation systems that meet changes in society.
		● Penetration of the Group's philosophy, and creation of rewarding working environment	· Enhance awareness and penetration of the Group's philosophy and management policy using internal branding strategies. · Improve the Group's overall strength through inter-departmental communication./Enhance employee engagement.
		● Occupational safety and health/Health and productivity management	· Prevent workplace accidents./Maintain employee health.
		● Work style reform/work-life balance	· Improve employee well-being and productivity by supporting flexible working styles.
	Produce and sell quality products and contribute to the improvement of society. Product safety and quality	● Product safety and quality management	· Comply with laws and regulations and fulfill supplier's responsibility./Improve product safety and quality./Comply with our own quality standards and customer requirements. · Conduct appropriate management of chemicals and hazardous substances./Provide safety information about products and services.
	We will work with suppliers to help build a sustainable society. Sustainable procurement	● Supply chain management	· Achieve sustainable procurement.
G (Governance)	We will build a foundation of corporate trust by ensuring transparency. Enhancement of governance	● Improvement of corporate governance	· Implement highly effective corporate governance.
		● Thorough compliance and prevention of unfair competition and corruption	· Implement corporate activities with an emphasis on compliance./Establish group governance.
		● Reinforcement of risk management and promotion of business continuity planning (BCP)	· Identify, analyze and assess risks, take measures to mitigate them, and thereby improve resilience. · Prevent disasters and accidents./Prepare BCP for events such as a disaster or pandemic.
		● Reinforcement of information security	· Properly protect and manage information assets as important assets.
		● Appropriate information disclosure and stakeholder engagement	· Disclose the Company's financial and non-financial information in a timely manner in accordance with laws, regulations and rules. · Promote understanding of corporate value through dialogue with shareholders and investors.

* Measures and indexes regarding materiality targets are currently under development

Value Creation Process

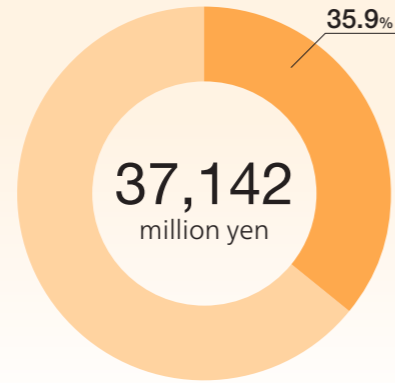
Based on its Group Philosophy, the SUMINOE GROUP will create value that contributes to society, thereby helping realize a sustainable society and enhancing our corporate value.



Interior Fittings



Net sales and percentage to total

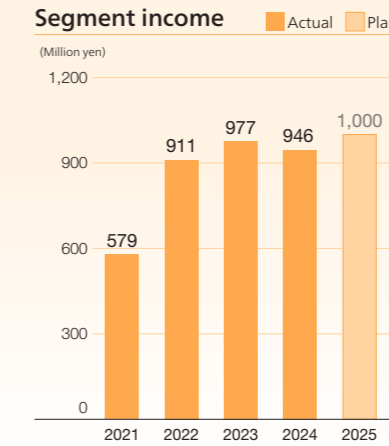
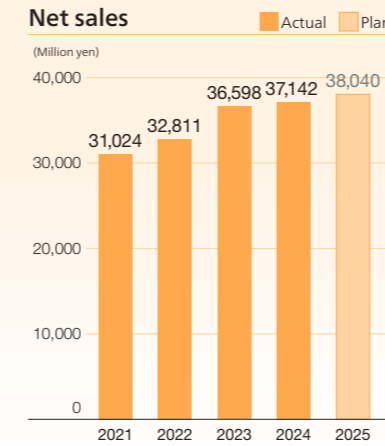


Overview of business results for FY ended May 2024

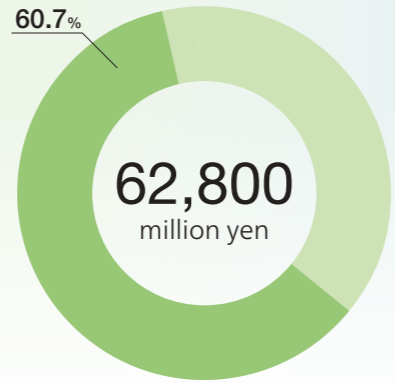
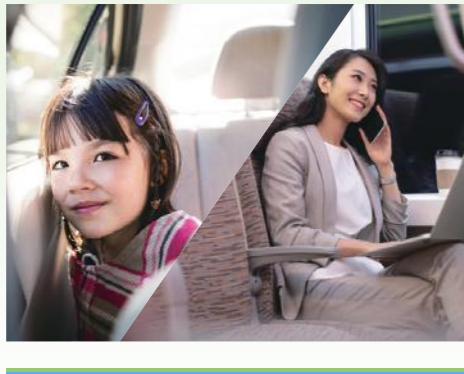
In commercial carpets, the increased number of deliveries due to the recognition of environmental performance and the effect of price revisions contributed to sales, whereas in the space design business, the orders for commercial facilities increased. Segment income decreased from the previous year because of the effect of soaring raw material prices due to the sharp depreciation of the yen.

Trends in business results

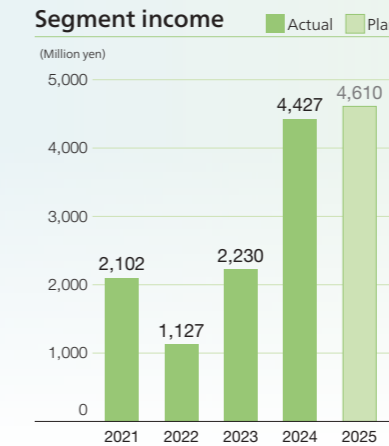
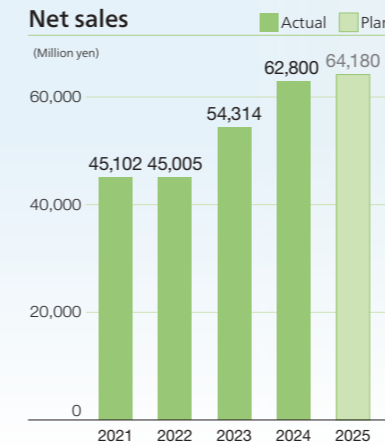
Each FY ended/ending May 31



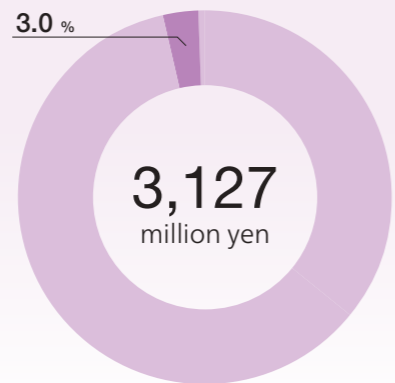
Automotive Textiles and Traffic Facilities



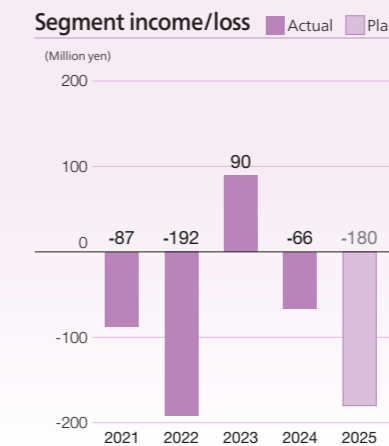
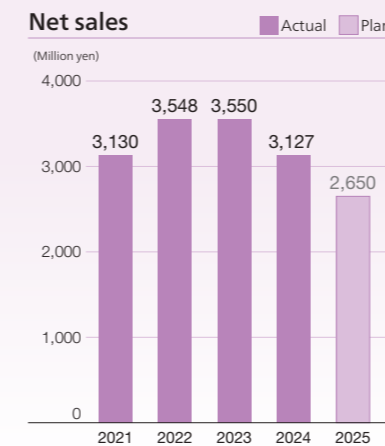
Automotive-related sales grew because of an increase in automobile production and the effect of exchange rates, whereas in the traffic facilities business, we made steady efforts to recover the demand for textiles for railways and buses, which had declined because of the COVID-19 pandemic. Segment income increased from the previous year as our wholly owned subsidiaries in North and Central America, which had been undergoing business restructuring, regained profitability.



Functional Materials



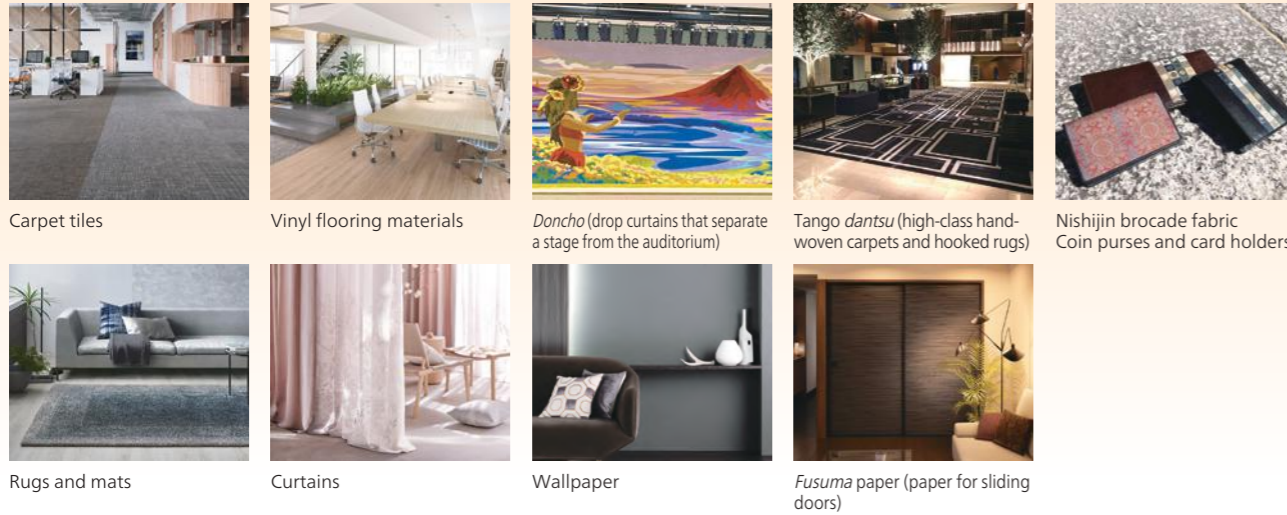
Despite the robust performance of the newly adopted deodorizing filters for sensor-activated garbage cans, the sluggish market and changes in consumption trends affected orders for fabric-coated heating products and bathroom flooring materials, resulting in lower sales and income for the segment as a whole compared with the previous year.



Interior Fittings

Business Details and Major Products

Wholesale of interior textiles for commercial use (in Japan and overseas), interior finishing work (curtains, carpets, wallpaper, drop 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



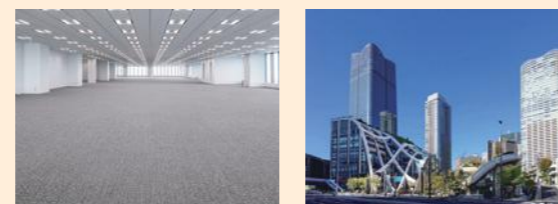
SWOT Analysis

<ul style="list-style-type: none"> Product development capabilities 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 	<p>Strengths</p>	<ul style="list-style-type: none"> Low brand awareness Decreased demand for roll carpets, one of the mainstay products of this segment Inconvenient location of local showrooms Inefficient logistics because of the fact that wallpaper and interior products are handled by different management systems at different operation bases 	<p>Weaknesses</p>
<ul style="list-style-type: none"> Increased demand due to growing environmental awareness Growing interest in interior materials due to lifestyle changes Market expansion due to increased inbound demand Improved evaluation of Japanese textiles of traditional arts and crafts due to consumer preference for high-end products 	<p>Opportunities</p>	<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 costs Unstable supply of raw materials due to fewer supply chains Shortage of certified skilled workers due to aging and decreased demand Shortage of transportation drivers and increased transportation expenses due to logistics issues 	<p>Threats</p>

Noteworthy Products and Services

In operating the Interior Fittings segment, the Group expects that ECOS®, eco-friendly carpet tiles under the horizontal recycling system, will continue to be our flagship product in the future. During the development and commercialization of ECOS®, a series of recyclable products, we have achieved high quality, safety, and a high recycling material ratio by addressing many issues. This has allowed us to reach widespread brand recognition, as it is said that "Speaking of environmentally friend products, the SUMINOE GROUP is first imagined." The Group will continue to focus on environmental protection and enhance the lineup of eco-friendly products centered

on ECOS®. At the same time, we will work together with our customers to create a sustainable society while also collaborating with companies that collect and recover used carpet tiles for recycling.



Photograph: Courtesy of Mori Building Co., Ltd.

Message

Review and Future Prospects by the Officer in Charge

Creating new revenue opportunities in Japan and abroad by making valuable proposals unique to the Group

Norihisa Murase, Director, Division Manager, Interior Textile Business Headquarters



Business Outline

The Interior Fittings segment in the SUMINOE GROUP originated in 1891, when *dantsu* hand-woven carpets were supplied as interior products to the Imperial Diet Building. Since then, as Japan's interior industry pioneer, the Group has continuously created comfortable and secure interior spaces. With its products covering a broad range of applications, we deliver products with both excellent design and functionality to public facilities, hotels, schools, hospitals, offices, and general households.

Kyoto Traditional Art and Craft Factory and TANGO TEXTILE Co., Ltd., manufacture traditional textile products, such as Nishijin brocade, *dantsu*, *doncho*, which have been inherited since the Group's foundation. Many of these products have been adopted in the Diet Building, luxury hotels, and other famous buildings that are representative of Japan.

SUMINOE Co., Ltd., a Group company that plays a pivotal role in the Interior Fittings segment, delivers interior products, such as carpets and rugs, as a pioneering manufacturer of these products in Japan. The Company is also working on overseas expansion. Another Group company, RUNON CO., LTD., which primarily provides wall coverings and *fusuma* paper (paper for sliding doors), strives for the development of high-quality and high-function products, aiming at "manufacturing valuable products."

In the future, we will continue diligent efforts to produce interior products that customers can use with peace of mind, under our fundamental development philosophy "KRR+A (Kenko [Health], Kankyo [Environment], Recycling and Amenity)." We will also proactively fulfill corporate social responsibilities as one of our challenges.

Present Business Conditions and Tasks

The Interior Fittings segment, which was started by the Group's founder, is one of our core businesses and accounts for approximately 40% of net sales. In particular, SUMINOE Co., Ltd. is capable of product manufacturing, wholesale, and construction in an integrated way, which represents the company's strength.

SUMINOE Co., Ltd. has received orders for the Group's products, mainly commercial carpets, which have been actively adopted for large buildings. Notably, in accordance with the increasing inbound tourism demand, there are growing needs for the Group's products that are used in hotels and luxury brand shops. We will surely catch the tide to enhance our business performance. As for medical institutions, sales of curtains are brisk, with a particular increase in sales of "Face®," which is designed for medical, welfare, and educational institutions.

In the fiscal year ended May 2024, the Interior Fittings segment saw increased net sales of commercial carpets, primarily for luxury brand shops. We have received many inquiries about ECOS® both inside and outside Japan after it was adopted for the Azabudai Hills and Toranomon Hills Station Tower project in 2023. In the current fiscal year, sales of ECOS® have remained steady due to the increased demand for products related to small- and medium-sized buildings, mainly in the Tokyo metropolitan area. We will continue to strive to expand demand by widely demonstrating the features of ECOS® to the market.

As part of our efforts to improve the SUMINOE brand recognition, in May 2024, SUMINOE's official and brand sites were redesigned. Since then, we have received rapidly growing numbers of inquiries and sample requests. In wall coverings, RUNON CO., LTD. launched a wallpaper catalog "RUNON Home (2023-2026)" in August 2023, another wallpaper catalog "RUNON Mark II Vol.25" in January 2024, and a catalog of *fusuma* paper "Sansui Vol. 25" in March 2024. As a result of the company's sustained efforts to highlight its originality, its sales turned upward, despite the ongoing nationwide shift

toward lower-end products in the wallpaper market. RUNON was also able to increase sales of *fusuma* paper by revitalizing the market through the launch of a new catalog while staying ahead of its competitors.

Additionally, in terms of developing new business, the space design business has been in smooth progress. SUMINOE Co., Ltd., the core company of the entire Interior Fittings segment, collaborates with PRETERIOR-TEXTILE Inc. and CPO Co., Ltd., which can offer total proposals on a space image and concept as well as suitable interior textiles and wooden furniture. This collaboration has enabled our integrated approaches encompassing designing a space as a whole, proposing products, delivery and construction, which help the Group differentiate itself from others.

Next, regarding future tasks for the Interior Fittings segment, we attach particular importance to market share expansion and profitability improvement. To achieve both, we intend to implement the following measures.

- We will expand sales of highly profitable carpets and curtains for general household use. Sales of household carpets have been on a downward trend since the period of stay-at-home demand during the COVID-19 pandemic. To reverse this trend and increase sales, we will work to develop new market channels, including those in other industries, by developing products for the wealthy, capitalizing on the expertise that the Group has cultivated for many years. TANGO TEXTILE Co., Ltd. will play a central role in creating products that cannot be made by other companies.
- We will promote the planning and development of high-end curtains to further increase sales and profits of curtains.
- We will adopt aggressive sales strategies to promote carpet tiles and other products to overseas markets to increase sales revenue.
- CPO Co., Ltd. will expand the scope of its target customers to include hotels, offices, and medical facilities, besides commercial facilities. The Company strives to increase sales, taking advantage of its capability of manufacturing custom furniture in its factory, in addition to taking orders for various interior products.
- PRETERIOR-TEXTILE Inc. will make effective use of SUMINOE showrooms to hold events to promote sales of optional items for condominiums. The Company will strive to increase sales revenue by promoting the sales expansion of interior products for luxury condominiums, mainly new buildings.
- Suminoe Logistics Co., Ltd. implemented the integration and abolition of its logistics centers so that the Fukuoka Center was updated to function as a logistics base mainly for wallpapers. In addition, the Company relocated the former Isehara Center to the newly constructed Atsugi Center. This move enabled Suminoe Logistics to substantially improve traffic convenience and enhance logistics efficiency through the new facilities. In the future, the Company aims to further improve systems and achieve streamlining in both tangible and intangible aspects.

Through these measures, we will create new revenue opportunities in Japan and overseas.

Synergy between Businesses

Since its initial stage, the Interior Fittings segment has focused on deepening cooperation with other segments in planning and developing new products. In recent years, we have delivered products to a theme park through collaboration with the Traffic Facility business. In addition, new initiatives are under way. For instance, designers in the Interior Fittings segment collaborated with their counterparts in the Automotive Textiles and Traffic Facilities segment to offer customers proposals for next-generation car interiors. In the future, we will further strengthen our space proposals, drawing chiefly on the capabilities of CPO Co., Ltd., which is a mainstay company in the space design business.

Automotive Textiles and Traffic Facilities (Automotive Textiles)

Business Details and Major Products

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 (wheelhouses, engine covers, and other textile products). Our products are supplied to all Japanese automobile manufacturers.



SWOT Analysis

<p>Strengths</p> <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 ● Environmental capabilities as a manufacturer 	<p>Weaknesses</p> <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
<p>Opportunities</p> <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 	<p>Threats</p> <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

Noteworthy Products and Services

In recent years, there has been a growing demand for environmentally friendly products. In this context, the SUMINOE GROUP has advanced proposals for environmentally conscious automotive interior textiles, including car seats made from eco-friendly fibers. As exemplified by the construction of a pollution-free factory half a century ago, the Group has been pursuing the manufacturing of products friendly to the environment. This has earned us a favorable reputation in the automotive industry, so these products have been adopted one after another.

Specifically, ECONIX, a car seat covering material that uses スミトロン® (SUMITRON) recycled polyester yarn and other environmentally friendly products, enjoy good reputation. Additionally, スミトロン® (SUMITRON) is used in SUMITEX, which is adopted for the Land Cruiser Prado and the 4Runner, sold by

Toyota Motor Corporation in the United States.

Besides, the Group has developed products with outstanding environmental performance, such as ECOS®, eco-friendly carpet tiles under the horizontal recycling system, which has achieved a recycled material ratio that is one of the highest in Japan through the use of waste carpet tiles. We will continue to focus on the development of one-of-a-kind products that combine environmental sustainability with cost effectiveness.



Message

Review and Future Prospects by the Officer in Charge

In pursuit of building a globally optimized supply system while focusing on the establishment of a revenue base for business in North America

Kazuaki Suwa, Director, Division Manager, Automotive Textiles Business Headquarters



Business Outline

The history of the Automotive Textiles business in the Group dates back to 1931, more than 90 years ago. At that time, Japan's automotive industry was in its infancy and the forerunner of the Company supplied carpets and seat covering materials to U.S. automakers. After World War II, the Company delivered nylon seat covers to a Japanese car manufacturer in 1958. Since then, our products have been used by various Japanese automobile manufacturers one after another. The Group now supplies its products to all Japanese carmakers.

The SUMINOE GROUP can supply a complete line of automotive interior textiles, from floors to ceilings, including ceiling materials, seat covering materials, car mats, and floor carpets. The Group's strength lies in this unparalleled capability. Moreover, we have undertaken overseas expansion since more than two decades ago. The Group has now expanded its overseas presence by setting up 11 manufacturing and sales bases in six countries (the United States, Mexico, China, Thailand, Indonesia, and India) in pursuit of creating a globally optimized supply system.

Present Business Conditions and Tasks

In the fiscal year ended May 2024, the net sales of the Automotive Textiles business, combined with the net sales of the Traffic Facilities business, increased to 62,800 million yen on the back of the exchange rate effects resulting from the depreciation of the yen. Segment income reached a record high of 4,427 million yen. The automotive market has been recovering since the end of the COVID-19 pandemic. In this situation, we focused on the global expansion of the decorative fabric business while developing technologies and increasing orders for non-textile products, such as synthetic leather. The positive results of these efforts contributed to this strong performance. In addition, orders and sales of environmentally friendly products remained steady.

Regarding profits, to cope with rising raw material prices, we continuously strived to optimize the procurement and production areas of raw materials. Over the last few years, we have addressed the problem of increased inventories due to the reduction in car production caused by a shortage of semiconductors. However, in the past year, we succeeded in reducing inventories by approximately 600 million yen in terms of the true value excluding the impact of exchange rates, resulting in an improvement in the capital turnover ratio.

As part of our initiatives to enhance profitability, we implemented measures to reinvigorate unprofitable overseas operation bases. These measures proved successful, and businesses in the United States and India achieved profitability in FY2024. Robust business performance in China and Southeast Asia also makes us believe that we will be able to put in serious effort to develop growth-oriented businesses.

In particular, the Group expects further growth of North and Central America's business through investments in its production base in Mexico. One of our measures is to promote new product development while meeting the needs of the globally expanding synthetic leather market, thereby enhancing the visibility of the Group's synthetic leather business.

In addition, we will expand the production line for automotive floor carpets, with the start of increased production slated for November 2024. This is an initiative to fulfill a large order from a major foreign automotive manufacturer in North America. Moreover, we have integrated the production of car mats, which were previously manufactured in two bases in the United States and Mexico, into the Mexican base. This was intended to increase orders by improving competitiveness and productivity.

As stated above, now that we have established a system that enables us to comprehensively produce and supply automotive interior textiles—ranging from seats, floor carpets, to car mats—in Mexico, we can make an accurate response in the huge U.S. market. To achieve the Medium- to Long-term Management Targets set for FY2027, we will intensify our efforts, giving the first priority to the establishment of a profit foundation for the North and Central America business.

Thus far, the Group has received orders mainly from Japanese automotive manufacturers. In future growth strategies, however, we plan to strengthen sales promotion to foreign automotive manufacturers in the United States, Europe, and subsequently China. Many start-up manufacturers handling electric vehicles (EVs) have manufacturing concepts that greatly differ from those of existing manufacturers and tend to prefer establishing an unconventional supply chain for the procurement of components. We therefore believe that these manufacturers offer great business opportunities for the Group, the strength of which is that they can supply a total line of automotive interior textiles.

In FY2027 and thereafter, we plan to develop markets in Europe, Africa, and South America and conduct research into these markets.

Although we can no longer expect substantial market growth in Japan, the positioning of the Japanese base remains important as a hub for developing element technologies for materials and processing, mainly through R&D Center of Suminoe Teijin Techno Co., Ltd. We will henceforth focus on the creation of new added value by pursuing interior proposals on the theme of private spaces where all people in a vehicle can enjoy a comfortable stay while looking ahead to the next-generation automotive interior textiles. We will also strive to re-establish the production system by means of replacement of aging facilities at production sites throughout Japan.

Along with these endeavors, our R&D team in Japan will support 11 production sites in six overseas countries to reinforce their respective functions. Through this measure, we plan to help each of these overseas factories grow into highly profitable operations.

Synergy between Businesses

In the Automotive Textiles and Traffic Facilities segment, we have been promoting an inter-segmental project called "Intelligent Interior 2.0 (I.I.2.0)," as one of the initiatives to be enhanced during the period of Medium- to Long-term Management Targets. In this project, we are working together with members of the Interior Fittings segment, which is engaged in hotel interior design, to produce the interiors of next-generation automobiles. In light of the new trends in the automotive industry, such as CASE and MaaS, we will pursue the creation of car interiors that are at the forefront of the times as "ONE SUMINOE."

Moreover, we aim to conduct a high-value-added business by proposing automotive interior textiles featuring even more sophisticated designs, in addition to high-quality but low-price products that have conventionally been in demand. Particularly for next-generation automobiles typified by EVs, we are putting our energies into promoting decorative fabric products for automotive interior textiles to meet the requirements of Chinese and other manufacturers. They require decorative elements, such as piping (a type of trim that forms a "pipe" which outlines the edges of seams) and ribbons to accentuate seat coverings made of either fabric or synthetic leather. To align with such design trends, we will collaborate with counterparts in the Interior Fittings segment to enhance design proposals that meet market needs.

Automotive Textiles and Traffic Facilities (Traffic Facilities)

Business Details and Major Products

Production and sales of interior materials mainly for trains and buses (seat coverings, curtains, wall coverings, 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.



Moquette (seat covering material), curtains



Carpets



Floor signage film



SUMICUBE® (seat cushion material), knit fabric

SWOT Analysis

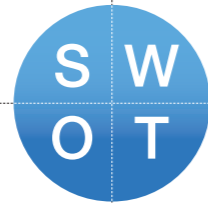
- The industry's top market share percentage
- Capability to offer total proposals for interior materials for public transportation systems
- Environmentally friendly products with excellent safety performance
- Technological and development capabilities taking advantage of possessing the Group's own factories

- 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

Strengths

Weaknesses

- 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

- 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

Noteworthy Products and Services

To meet the increasing demand for environmentally friendly products from railway companies, the Group has been strengthening proposals for these products. Approximately 20 years ago, we began to offer seat cushion materials made of polyester, which are lightweight and do not generate any poisonous gases even if burned. In addition to these advantages, these materials can be recycled into polyester. As for moquette seat covering materials, we have proposed products made from polyester recycled from used PET bottles since around a decade ago.

In the future, we will work in concert with the Company's Technology Development Center to promote the development of environmentally friendly products and

strengthen proposals to customer companies. We will also hold periodic meetings with the Traffic Facilities business or with other businesses so that members of each business can exchange their latest information. Through these initiatives, we aim to create new value.



SUMICUBE® —AIR (Hybrid cushion material)



OH Film (Easy-to-install signage film made of olefin)

Message

Review and Future Prospects by the Officer in Charge

Taking on the challenge of developing new markets based on a wealth of experience in delivering interior materials for public transportation facilities



Tomohiro Yoshizawa, Operating Officer, Division Manager, Traffic Facilities Business Headquarters

Business Outline

In 1896, our founder succeeded in producing a hand-woven moquette for the first time in Japan as a seat covering. The moquette was adopted by the Japan National Railways (now the JR Group) as its seat covering. This led to the launch of the Traffic Facilities business of the Group. Since then, seat moquettes that are highly durable and flame-resistant have been used by JR Group companies, private railways, and publicly operated transportation services throughout Japan, maintaining the top share in the railroad vehicle interior materials for more than a century.

Currently, the Group offers total proposals for seat coverings, curtains, wall coverings, flooring materials, and other interior textiles for public transportation facilities, including Shinkansen bullet trains and other trains, buses, ships, and aircraft. We have always been pursuing the functionality and quality required for seat covering materials in response to the needs that are changing with the times. In recent years, the SUMICUBE® seat cushion material, which exhibits outstanding safety and environmental performance, has been highly commended.

Present Business Conditions and Tasks

On average, Interior textiles, such as seat covering materials for trains, buses, and ships, have been used for about 10 years. As such, these textile products must have properties and qualities that can withstand hard usage during their service life. Thus, we must be capable of stably supplying these materials and fulfilling maintenance responsibilities from a long-term perspective. Over nearly 130 years, the Group has accomplished its mission of reliably delivering interior textiles for public transportation facilities, thereby establishing trust relationships with facility operators throughout Japan.

In the past, seat covering materials were mostly produced using wool and other natural fibers. However, we have decided to use a blend of synthetic fibers, such as polyester, in response to the needs of the times. Thus, we have always been exploring technological innovation in the field of materials. The Group strives to provide products that carefully address various customer needs, such as lightweight construction, sitting comfort, design color reproduction, ease of cleaning, deodorizing, and antibacterial properties. At present, the Group conducts maintenance on approximately 50,000 train cars and approximately 110,000 buses in Japan by regularly replacing seat covers, among others. With our sales bases located in Osaka, Tokyo, Nagoya, and Fukuoka, we cater to customer needs on a nationwide scale, covering areas from Hokkaido in the north to Okinawa in the south. This is also one of our strengths.

Due to the impact of the COVID-19 pandemic, which extended over several years, railway companies and other public transportation operators experienced a significant decline in performance. The impact also affected the Traffic Facilities business. New and continued projects were revised or suspended one after another, resulting in sluggish sales and profits. After the end of the pandemic, public transportation companies resumed the suspended projects, and their performance has been on a recovery trend since 2024.

In the Traffic Facilities business, we work to accurately carry out each project and anticipate new needs. For example, in relation to a paid seat reservation service launched by railroad companies, there are demands to upgrade the interior textiles of their trains. In response, we are now making proposals for high-added-value interior textiles.

As for train car seats, we propose using our cushion materials along with the seat covering materials. In addition, regarding the floor signage

film and non-slip mats for use in trains, we are offering highly functional products, capitalizing on the Group's unique resin compounding and forming technologies developed by the Suminoe Textile Technology Development Center.

Under its fundamental development philosophy "KKR+A (Kenko [Health], Kankyo [Environment], Recycling and Amenity)," the SUMINOE GROUP has been working on the research and development of technology and products that contribute to society. In the Traffic Facilities business, by promoting the planning and development of new products, we strive to expand into markets other than those of interior textiles for trains and buses and advance into new fields. As part of these efforts, we are currently undertaking proposal-based sales activities in collaboration with the Automotive Textiles business, as the ideal state of car seats is expected to change in tandem with the progress of autonomous driving technologies.

In the Traffic Facilities business, we have established a design department that creates designs tailored to individual interior textiles that are all different depending on vehicle type. Furthermore, we work on further sophistication of our product designs and functionality through collaboration with Seki Textile Co., Ltd., which became a subsidiary of the Company in FY2023. The strength of Seki Textile is that it is one of the few integrated manufacturers of jacquard moquettes in Japan. We have now established a development and production system capable of promptly meeting the needs of train and bus companies, against the backdrop of a recovery in the number of their passengers after the end of the pandemic.

To expand the Traffic Facilities business in the future, we consider it necessary to make proposals not only to the Japanese market but also to overseas public transportation companies. Although the functionality and standards required for seat covering materials, etc. vary from country to country, we will strive to cultivate a market by taking measures tailored to individual local situations. Our proposal activities are already underway in Taiwan, India, and other countries. We will continue to strengthen our efforts to win more orders.

Synergy between Businesses

The Traffic Facilities business handles interior textiles for trains, buses, aircraft, and ships. In planning, developing, and manufacturing aircraft interior textiles, we work together with the Functional Materials segment, generating inter-business synergies. This is one of our business strengths. For railway trains, we supply seat cushion materials and floor signage films, among others. These products have obtained certification from railway companies, and each of them features environmentally friendly raw materials, including a material that emits no poisonous gases even if burned.

With regard to aircraft, since European and U.S. equipment manufacturers have taken the initiative in manufacturing processes from designing to building, there is only limited room for Japanese manufacturers to join. Nevertheless, we have been supplying seat covering materials, curtains, carpets, and other interior textiles to Japanese airlines.

Moreover, leveraging a wealth of experience in delivering train/bus seat coverings, we are advancing proposals on seat coverings designed for public facilities, such as theaters and movie theaters, in collaboration with the Interior Fittings segment. Since railway operators typically own a diverse range of real estate, including commercial facilities, hotels, theaters, and office buildings, we will continue to collaborate with the Interior Fittings segment to develop a market and create new revenue opportunities.

Functional Materials

Business Details and Major Products

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



Electric carpets



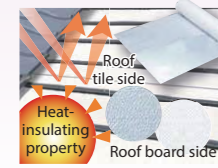
Deodorant air filters for air purifier



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



"Kakidanomi" supplement containing persimmon (kaki) polyphenol

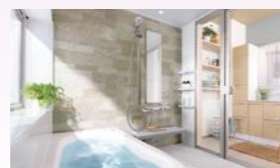


Roofing materials



CLOTHCABIN*

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



Floor materials for bathrooms



Interior materials for aircraft

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 Reliability endorsed by tradition and innovation 	<ul style="list-style-type: none"> OEM business that is vulnerable to demand fluctuations Seasonal factors of household appliances (Decreased net sales of fabric-coated heating products caused by climate change, etc.) Delayed brand penetration in newly developed fields 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

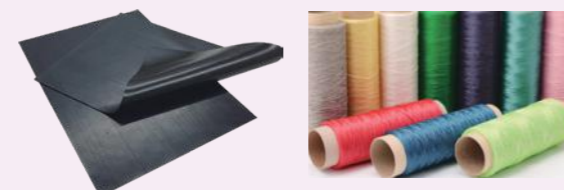
Noteworthy Products and Services

In line with our business policy of developing new business fields, we are promoting the development of new functional products that meet the expectations of both customers and society.

For example, we have developed a "lightweight vibration absorbing foam sheet" which has a vibration-damping performance realized through the application of resin compounding technology. Its features have enabled users to make flexible adjustments according to the temperature and frequency ranges of the vibration source to design a product that is more suitable to the usage environment. Currently, we are working on the deployment of new products, including "burupita*," which makes effective use of this technology.

Another example is スミトロン® (SUMITRON), a polyester bulked continuous filament (BCF) fiber, which was produced at the Shiga Factory of Suminoe Techno Co., Ltd. This fiber

is made of raw materials recycled from waste PET bottles. スミトロン® (SUMITRON) is used not only for the pile yarn of carpets, but also for other various products, including curtains, a car seat covering material "ECONIX," surface materials for shoes, filters, and cleaning tools. In FY2024, スミトロン® (SUMITRON) achieved a recycled material ratio of 100% in combination with chemically recycled raw materials. The enhanced environmental performance has made the fiber more appealing to customers.



Message

Review and Future Prospects by the Officer in Charge

Creating a new business field through products that meet social expectations by effectively using the element technologies developed thus far



Hiroshi Tamura, Operating Officer, Division Manager, Functional Materials Business Headquarters

Business Outline

About half a century ago, a team was organized for special operations. Its main task was to manufacture and sell OEM products, including electric carpet covers, to household appliance manufacturers. This was the beginning of what is now the Functional Materials segment. Leveraging the Group's technology development capability, we have actively expanded into new fields, moving beyond conventional business segments to encompass a diverse range of products, including textiles, non-textiles, interior materials, household appliances, and health foods (general foods).

Specifically, the household appliance business mainly deals with fabric-coated heating products, while the functional materials business handles not only floor materials for bathrooms but also deodorizing products, interior materials for aircraft, water shielding/thermal insulation sheets, and even food products. The strength of the Functional Materials segment lies in its capability to develop, produce, and sell these products in an integrated manner. In the future, while exhibiting the strength of the entire Group, we will develop products and materials that are useful in people's everyday life and pursue the creation of new value, in line with the Group's fundamental development philosophy "KKR+A (Kenko [Health], Kankyo [Environment], Recycling and Amenity)."

Present Business Conditions and Tasks

To fulfill the mission of our segment "Boldly embrace new business developments and help create new corporate value," we strive for business expansion. The duty of the Functional Materials segment is to create business opportunities in a field that is difficult for other segments to undertake while using the Group's materials and element technologies. We also believe it necessary to pursue the development of higher value-added products in cooperation and collaboration with other segments in the process of creating new value.

Under the "SGW STEP II (2025-2027)," set for the period until the fiscal year ending May 2027, the priority tasks for the Functional Materials segment are defined as follows: Expand from existing businesses and product categories, and make effective use of human resources and production facilities at our Vietnam base. To accomplish these tasks, we will promote cooperation and collaboration with other segments and develop applications of our unique materials and processing technologies to foster new growth businesses.

Regarding the financial results in FY2024, the Functional Materials segment reported a loss because of a decline in sales and profit from fabric-coated heating products, such as electric carpets, which are among our key products. The decline was partly attributable to a decrease in the number of new orders, which was affected by the sluggish market. As for other products, although the new adoption of deodorizing filters for sensor-activated garbage cans contributed to sales, deodorizing filters for air purifiers continued to stagnate due to a reactionary fall in demand following the COVID-19 pandemic. As a result, net sales of deodorizing filters overall fell short of the results for the previous fiscal year. In bathroom flooring materials, the number of new orders decreased due to changes in consumption trends caused by increased opportunities to go out. Consequently, net sales of the bathroom flooring materials declined from the previous fiscal year.

Given the severe financial results for the latest fiscal year, we are pressing ahead with business structure reforms. Previously, fabric-coated heating products, which account for approximately half of our total sales, were produced in Suzhou, China. However, production of these products was transferred to a Vietnam factory, which was launched in 2019. Additionally, the factory began in-house manufacturing of nonwoven fabric, which is the main constituent material of electric carpets. Moreover, measures have

been taken to reduce manufacturing costs and improve productivity, such as local procurement of raw materials for nonwoven fabrics and various other components. At our Vietnam factory, we are planning to produce and sell automotive interior products, in addition to products for the Functional Materials segment. This will improve the factory operating ratio and enhance profitability.

As part of our efforts to increase demand for fabric-coated heating products in seasons other than winter, we will develop cooling products for summer use, thereby creating new revenue opportunities. Initiatives are already underway to develop a product incorporating a cooling fabric into an electrically driven fan. This product is scheduled for market introduction in time for the summer shopping season in 2025.

One of the strengths of the SUMINOE GROUP lies in its environmentally friendly products, such as ECOS®, eco-friendly carpet tiles under the horizontal recycling system. In the Functional Materials segment, we also emphasize these products. One example is the development of a flooring material that uses recycled paper, which will help to reduce environmental impact. We also expect that it will help alleviate the burden of people working at installation sites because its weight is lighter than that of other flooring materials. This newly developed material can be used not only for flooring but also for other building components. We are currently working on its commercialization.

Besides, as part of our progressive initiatives, we have developed a water-wetting detection fabric that reacts when wet by effectively interweaving conductive yarns with water-absorption and quick-drying yarns. This fabric is capable of covering a wide area for water wetting/dampness detection, which has been difficult for conventional water wetting sensors. The potential applications of this system include its use in nursing care beds. We expect that the fabric will prove useful in on-site labor savings in the future by detecting and signaling water wetting for nursing care staff in busy settings.

In the field of foods, functional foods that are helpful for oral care will be placed on the market in the winter of 2024. Thus far, we have been marketing a supplement developed through joint research with the Faculty of Agriculture at Kindai University. The supplement uses high-purity persimmon (kaki) polyphenol extracted from thinned-out persimmon fruits grown in Nara Prefecture using a patented processing method. In the future, we will continue to develop highly functional products through industry-academia collaboration and strive to cultivate new markets.

In FY2025 and thereafter, we will release the aforementioned new materials and products in the marketplace. In doing so, we will strive to turn our business around.

Synergy between Businesses

In the Functional Materials segment, we have focused on promoting collaboration between businesses.

The deodorizing technology developed in the Interior Fittings segment has been applied to deodorizing filters and deodorizers. Currently, we are collaborating with the Development Department to develop a material that will help maintain freshness by absorbing the ethylene gas emitted by vegetables and fruits.

Meanwhile, we are developing new interior materials for aircraft in collaboration with Suminoe Techno Co., Ltd. Reducing CO₂ emissions is a crucial challenge for aircraft. Thus, we are enhancing proposals for eco-friendly products made from recycled nylon yarn that can realize excellent durability and environmental performance while being lightweight.

In this manner, we will put our energies into the development of high value-added products that meet the expectations of society by further strengthening our collaboration with other businesses and departments of the Company.

Overseas Business Strategies (North and Central America Business)

Message

Initiatives to strengthen overseas business expansion

Accelerating overseas expansion through further reinforcement of our optimal supply system on a global basis



Atsushi Yamaguchi, Department Manager, Automotive Textiles Business Headquarters

Achieving profitability of operating income at all 11 overseas bases engaged in the Automotive Textiles business in FY2024

The Automotive Textiles business of the SUMINOE GROUP first expanded overseas in 1994 by setting up a joint venture in Thailand, which began operations with the production of fabrics for seat-covering materials. The Group has promoted overseas expansion while overcoming many hardships, including the 1997 Asian currency crisis, the long-term factory closure caused by the 2011 Thailand floods, and the reactionary increase in demand lasting until the following year. To satisfy the last-named demand, the Group made the most of its globally optimized supply system so as to perform our responsibilities as a supplier. Following Thailand, we have established overseas bases in the United States, China, Indonesia, India, and Mexico. Today, the Group has 11 operational bases in six countries where we produce and sell automotive interior textiles. In this manner, the Group has built up a supply system in accordance with the changing needs for various products, from car seat fabrics at the initial stage of overseas expansion to carpets, car mats and synthetic leather. This is one of the Group's advantages. Handling diverse products has enabled us to respond flexibly to changes in needs and market conditions, thereby endorsing our aspirations for the sustainable growth of overseas businesses.

In recent years, we have increased investments in Mexico's production base, which has expanded its scope of business in stages, starting with the production of car mats, carpets, fabrics, and synthetic leather. While U.S. bases faced a hard fight due to rising labor costs and other factors, we promoted the restructuring of business operations in North and Central America through strategies such as shifting production focus to Mexico. In FY2024, the Group achieved profitability at all 11 overseas bases engaged in the Automotive Textiles business, including the North American subsidiary, which had been one of our concerns. I am also confident that we were able to solidify a foundation for further growth of overseas businesses by establishing an optimal supply system on a global basis.

With regard to the optimal supply system, fabrics and synthetic leather were previously manufactured in Japan, China, and Southeast Asia and then exported to North and Central American countries. However, in anticipation of a future increase in demand for synthetic leather in the North American market, the Group constructed new production lines in Mexico as part of its efforts to promote localization. In this way, we promote manufacturing

in a region where our strength can be displayed. Additionally, another unique strength of the Group lies in its capability to supply a total line of automotive interior textiles, from floors to ceilings, in response to customer needs.

It is not easy to supply a complete line of automotive interior textiles. One reason is that commercial distribution differs according to the product. For instance, proposals for carpets should be submitted to Tear 1 carmakers and automotive mold manufacturers, whereas interior design proposals should be submitted to finished car manufacturers. The Group strives to offer proposals in accordance with each product's commercial distribution. Consequently, we have learned to propose designs looking ahead several years by obtaining the latest information on the trends and demands of automotive interior textiles. This capability has given us a competitive edge.

Further strengthening the Group's position in the North American automotive market

The Group is implementing new initiatives, including strengthening its activities to receive orders from foreign automotive manufacturers, in addition to Japanese automakers. Our efforts in making comprehensive proposals for automotive interior textiles are producing steady results.

With an eye toward the future of the North and Central American market, to which we attach the greatest importance in the world, the Group will transfer manufacturing functions from the United States to Mexico. Instead, Suminoe Textile of America, which has served as the U.S. manufacturing base, will strengthen its function as a sales base for foreign automobile manufacturers to accurately meet market needs. In doing so, we will enhance productivity. These measures are also expected to be effective in responding to geopolitical risks that may arise in the future.

Regarding the financial performance of the Automotive Textiles business, net sales from overseas bases have been higher than those from domestic bases since FY2015. After exceeding profits from Japan in FY2019, overseas profits temporarily declined during the COVID-19 pandemic but became higher than domestic profits in FY2024. As all overseas bases for the Automotive Textiles business have achieved operating profitability as stated earlier, we expect that overseas sales and profit ratios will further increase. In the future, the Group will promote the expansion of overseas businesses by further enhancing the optimal global supply system through its 11 overseas bases across six countries.

Group Value-Creation Strategy

Message

Initiatives from a medium- to long-term perspective

Further enhancing our corporate value through discussions on the "ideal corporate image" toward 2050



Akihide Mizuno, Operating Officer, General Manager, Corporate Planning Department, Administration Headquarters

Holding discussions on the "ideal corporate image" in 2050 under the *Shin Mirai* Project

The SUMINOE GROUP has been striving to create new value for the world while further reinforcing the management base in alignment with the Medium-to Long-term Management Targets "SUMINOE GROUP WAY 2022-2024-2027." In conjunction with these efforts, we identified the Group's values and launched the *Shin Mirai* (lit. new future) Project for promoting corporate branding in 2022 by reviewing how to achieve sustainable corporate growth and employee happiness. In June 2023, the SUMINOE GROUP Philosophy was formulated, under which activities are being implemented to enhance the Group's medium- to long-term corporate value.

In 2024, we held a workshop to look ahead to the "ideal corporate image" in 2050. In the workshop, discussions were held on how we can meet future needs while expanding our existing technologies by backcasting from the future. From respective divisions, employees in their late 20s-40s, who will play mainstay roles in our business in 2050, were selected as workshop members. They were engaged in a series of discussions about changes to the business environment from a long-term perspective. They also exchanged views on the "ideal corporate image" for the Group in 2050 and how to design businesses and develop measures to realize the image. In terms of designing businesses, these members made presentations to top management in the end.

Although the workshop was an unprecedented initiative, it provided opportunities for serious discussions among participating members, who imagined needs that would reflect each era in the future and examined what kind of products and services the Group could realize by using technologies that would reach a level we wanted.

For the "era when automatization will change our lifestyles," workshop participants suggested creating a space that would connect people and society. They proposed a product that could offer fulfilling lifestyles in a society characterized by a borderless connection between mobility and living spaces. For the "era that will require adaptation to

population changes and increasing natural disasters," these members proposed a space where SUMINOE could play active roles in any environment and a product harnessing the potential of fabrics to bring innovation in the field (space) of food.

In December 2024, Suminoe Textile Co., Ltd. will change its trade name to "SUMINOE Co., Ltd." This change will reflect the future vision of the SUMINOE GROUP, which strives to "bringing innovation to all kinds of spaces," while accelerating global expansion, enhancing non-textile areas, and establishing the SUMINOE brand.

Displaying the true value of the SUMINOE GROUP through the creation of new innovations

Beginning with the manufacture of *dantsu* hand-woven carpets in the Meiji period (1968-1912), the Company greatly contributed to the modernization of interiors in Japan as a pioneer of carpet production. Among other things, after delivering *dantsu* carpets to the Imperial Diet Building, the Company produced seat covers used in the trains of the Japan National Railways. In the 1980s and thereafter, the Company played a leading role in the interior industry by supplying carpet tiles in response to office automation. However, in recent years, we have not created enough innovation, and our operating income has remained lower than our competitors' levels. One of the objectives of the *Shin Mirai* Project launched in 2022 is to display the true value of the SUMINOE GROUP by breaking away from this situation and creating new innovation.

Taking environmentally friendly products as an example, the ECOS® series, eco-friendly carpet tiles under the horizontal recycling system, has enjoyed a high reputation and has been adopted for many large office buildings, among others. Additionally, we have been vigorous in implementing initiatives to generate synergies across the SUMINOE GROUP through inter-segmental and inter-departmental collaboration.

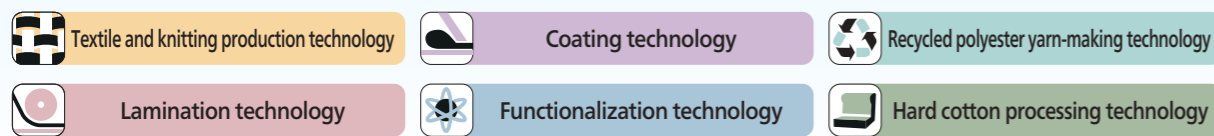
The Group will further accelerate these initiatives and disclose its "ideal corporate image" toward 2050, aiming at an even greater enhancement of our corporate value.

Fundamental Development Philosophy

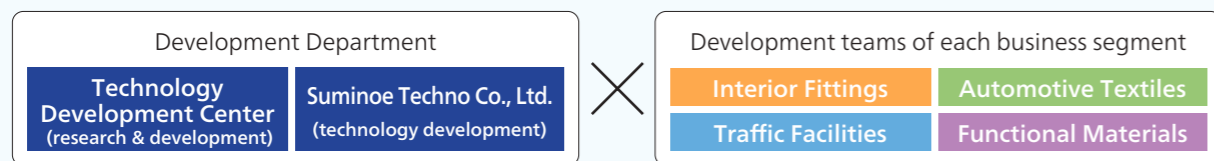


Under its fundamental development philosophy “KKR+A (Kenko [Health], Kankyo [Environment], Recycling and Amenity),” the SUMINOE GROUP has been working on research and development of technology and products that help resolve environmental issues and contribute to society while striving to sow seeds for 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

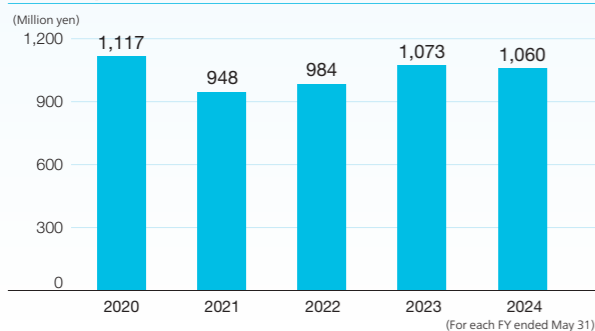


Research and Development System

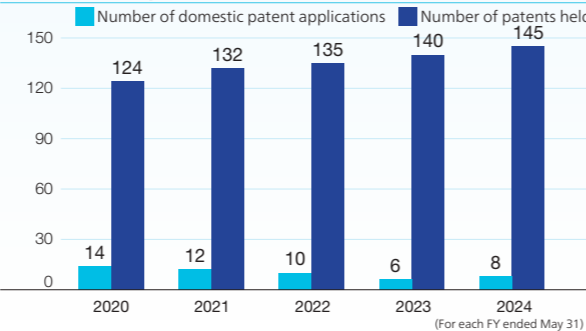


The research and development of core technologies is conducted by the Development Department, which comprises the Technology Development Center and Suminoe Techno Co., Ltd. The Development Department performs this duty in cooperation with the development teams of the respective business segments.

R&D expenses



Number of patents



Recycled PET yarn produced by Suminoe Techno was adopted for car seat covers for the first time.

Conventionally, スミترون® (SUMITRON), a recycled polyester BCF* fiber derived from PET bottles, is used mainly in carpets. However, it was recently adopted as a covering material for car seats for the first time. We developed and proposed a new BCF yarn with fineness suitable for use in car seats. ECONIX, a seat-covering material that utilizes スミترون® (SUMITRON), has been highly regarded for its resilient and firm texture, which cannot be found in conventional fabrics, as well as its environmental advantage of being made of recycled materials. To further increase ECONIX sales, we will continue to promote technology development and expand the scope of its applications.



* BCF stands for Bulk Continuous Filament. The BCF yarn has low-fluff and low-pilling properties and excellent durability.

SGW SUMINOE GROUP WAY 2022-2024-2027

R&D Challenges and Progress Assessment for FY Ended May 2024

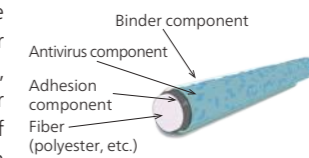
R&D Challenges	Progress	R&D Challenges	Progress
Enhance functionality of bathroom interior products.	○	Develop new products using raw materials derived from nature.	△
Improve floor signage film.	○	Basic research using bioplastics	△
Develop and commercialize chemicals for multifunctional processing.	△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

Establishment of antivirus performance evaluation techniques and product development

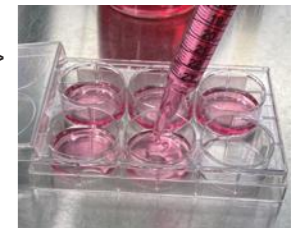
To meet the growing demand for antivirus products in the wake of the COVID-19 pandemic, we have been placing greater emphasis on developing functional processing technologies, such as antivirus, deodorant, and antifouling processing for textile products. Since the Group handles various forms of products, it was urgently necessary to establish evaluation techniques and antivirus processing technologies tailored to the respective products. By strengthening the in-house antibacterial and antivirus testing system, we have succeeded in speeding up the testing process and improving the quality. The Group has also developed “Vguard,” an antibacterial/antivirus processing technology that enhances the durability of processed fabrics. We are promoting the application of this technology to carpet tiles and curtains. We will remain committed to technological innovation and quality improvement to provide safer and more comfortable products.

Vguard

<Mechanism for adhesion to the fibers>



* This image represents an artist's impression.



Measurement instrument for evaluating antivirus performance

Research and Development Strategies

Message

Prospects for the expansion of the business domain and technological improvement

Anticipating changes in the market to offer functions and products that make effective use of our strengths

Taro Hattori, Operating Officer, General Manager, Development Department



The Company has steadily expanded its business domain while accurately responding to needs and has brought high-value-added products to the market.

We have discovered new added value based on existing core technologies, such as antibacterial and antivirus processing, deodorizing treatment, and adsorption. Meanwhile, using our resin compounding and molding technologies, we have developed products with excellent vibration isolation and damping properties that enhance the quietness of living spaces. Through these activities, we are tapping into new markets.

Moreover, the Group has reinforced its internal systems to evaluate and verify product performance, as part of its efforts to enhance comprehensive evaluation techniques and facilitate quality improvement.

As a responsible manufacturer, we will continue to implement environmental protection initiatives, including waste reduction and the conversion to renewable energy, at our manufacturing factories. In so doing, we strive to conduct business activities in an environmentally friendly manner.



Message

Aiming at an operating margin of at least 5% as soon as possible to improve returns to stakeholders

Hiroaki Usugi
 Managing Director
 General Manager, Administration Headquarters

Highest net sales since 2003

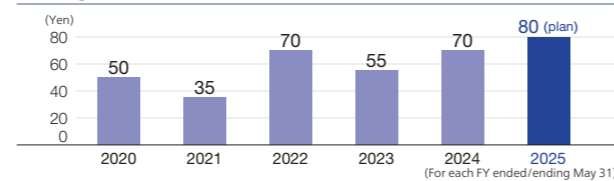
The consolidated net sales for the fiscal year ended May 2024 exceeded the full-year consolidated earnings forecast announced in January 2024 and ended above 100 billion yen for the first time since we began full-scale overseas expansion in 2003. Factors included the growth in the Automotive Textile business within the Automotive Textiles and Traffic Facilities segment, our core business, and a better-than-expected recovery in demand for products for railways and buses, which had declined because of the COVID-19 pandemic. In the Automotive Textile business, we established a manufacturing and sales site in Thailand in 1994, and, especially since 2003, we have accelerated overseas expansion, mainly in Asia and North and Central America. Net sales from overseas sites currently account for approximately 30% of consolidated net sales, resulting in the expansion of our business scale. In the Interior Fittings segment, we are expanding the space design business, which we have been working on for the past 4 years, despite uncertainties about demand growth in the domestic market. Subsidiaries CPO, which develops and designs retail properties, and PRETERIOR-TEXTILE, which sells curtains and other interior options mainly for condominiums of major

developers and designs indoor spaces, contributed to consolidated earnings. It is also true that the depreciation of the yen boosted net sales. Although net sales exceeded 100 billion yen, the upper 90 billion yen range is closer to reality considering the effect of the weaker yen. I consider this with a sober mind as the director in charge of finance.

In terms of profits, both operating income and ordinary income exceeded our guidance because of an increase in revenues in the Traffic Facilities business and reasonable price increases in response to rising raw material and energy prices in the Automotive Textile business. However, we incurred extraordinary losses of approximately 900 million yen as a result of our decision to transfer all of our Sumisho Airbag Systems shares, an equity method affiliate. As a result, profit attributable to owners of parent remained at the 800 million yen level, below our guidance.

The year-end dividend for the fiscal year ended May 2024 has been set at 35 yen per share, unchanged from our previous forecast. Because of the recording of the aforementioned extraordinary losses, Sumisho Airbag Systems will no longer affect our consolidated earnings for the fiscal year ending May 2025 and beyond.

Changes in Dividends



Improving profitability and strengthening financial structure

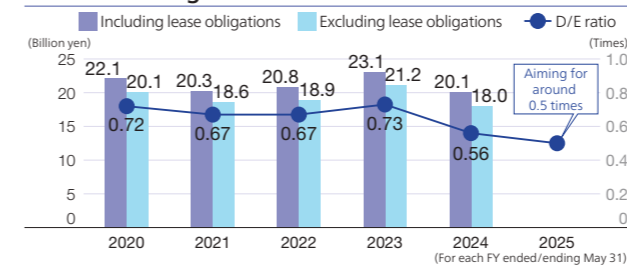
For fiscal year ending May 2025, we will focus on initiatives to further improve profitability. In the Automotive Textiles business, we expect an improvement in profitability as we have established a mass-production system for synthetic leather at our Mexican subsidiary, enabling in-house production. We intend to increase the sales promotion of high-margin synthetic leather because demand for this product is increasing not only from Japanese automakers but also from foreign automakers. After establishing a business model in Mexico, we expect that we will be able to expand it to other operation sites.

Going forward, we will stabilize revenues through business expansion in North and Central America, reduce interest payments by reducing interest-bearing debt, and use the tax loss carryforward of our US subsidiary to generate cash flows in our three subsidiaries in North and Central America combined.

We aim for a D/E ratio of 0.5 times as a management indicator. Although we increased interest-bearing debt to 22 billion yen during the COVID-19 pandemic to prepare for an emergency, we are working to generate cash flow by reducing non-current assets, such as selling approximately one-third of the 30,000 *tsubo* of land we own at our Nara Factory, selling a distribution warehouse in Kanagawa Prefecture, and using a state-of-the-art rental warehouse instead. As of May 31, 2024, interest-bearing debt was 18 billion yen, including capital investments in our Mexican subsidiary and M&A expenses. The D/E ratio for fiscal year ended May 2024 was 0.56 times, but we aim to maintain it at approximately 0.5 times by reducing interest-bearing debt to approximately 15 billion yen in the future.

We will work to strengthen our financial structure as our US subsidiary has returned to profitability and is now able to generate cash flow. We will also continue to reduce inventories and make effective use of our assets.

Interest-bearing Debt and D/E Ratio



Initiatives to improve PBR and other management indicators

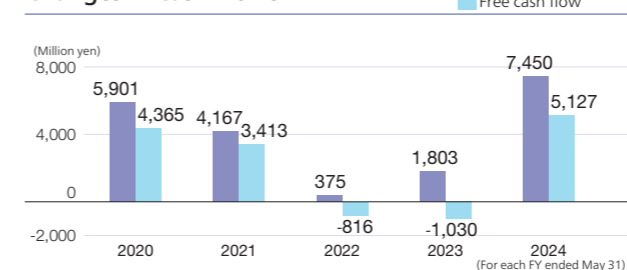
Our primary financial challenge is to increase our PBR to above 1. To this end, we must improve our operating margin to at least 5% and then higher. Although the Automotive Textiles and Traffic Facilities segment has reached the 7%–8% level, the Interior Fittings segment remains at approximately 3%. We will work to improve operating margins by expanding high-value-added businesses, such as space design business, as well as by developing and expanding sales of products in the mid-to-high-end segment, where the Group has developed strength over its long history.

In addition to improving operating margins, we will actively work to maximize corporate value by setting ROE, PBR, ROIC, and WACC as key management indicators through the fiscal year ending May 2027. On the basis of a calculation using the Capital Asset Pricing Model (CAPM), our current estimate of the cost of shareholders' equity is 5%–7%. Our ROE, which was 2.9% for the fiscal year ended May 2024, has remained below this level, resulting in a negative equity spread. We are targeting an ROE of 7.6% and an ROIC of 7.9% for the final year of the latter 3-year period of our Medium- to Long-term Management Targets. It is imperative that we achieve ROE and ROIC higher than our capital cost and turn our equity spread positive as soon as possible. To this end, we first make thorough efforts to improve profit margins, such as operating margins, enhance capital efficiency, and use financial leverage.

Viewing the first 3-year period as a period of solid "seeding" for the future, we have invested abroad in anticipation of high growth, especially in our operation sites in North and Central America. As a result, our subsidiaries in North and Central America now can generate cash flows, as I mentioned earlier. In the latter 3-year period, which has entered a phase of steady-level enhancement of our true capabilities, we will need to manage our finances to maximize operating cash flow while balancing investment cash flow, with our operation sites in North and Central America as the driving force.

For the coming latter 3-year period, we will set a target of achieving an ROE of at least 8% and ROIC and ROE above the cost of capital by the fiscal year ending May 2027, with the aim of increasing corporate value. We expect that achievement of these targets will inevitably lead to improvement in our target management indicators.

Changes in Cash Flows



Working to achieve sustainable growth and improve the corporate value of the Group

Since 2021, we have been working to meet the continued listing criteria of the new market segment by developing a plan to meet the criteria. As a result, we satisfied the market capitalization criteria for tradable shares as of May 31, 2024, and published the "Notice Regarding Compliance with Prime Market Continued Listing Criteria" in August.

Because of the introduction of a shareholder special benefit program in the fiscal year ended May 2022, the number of shareholders has increased from approximately 4,000 at one point to >9,000 as of May 31, 2024. We also maintain an average daily trading value of between 70 million and 80 million yen. We will continue to conduct initiatives to achieve a PBR of 1 in an effort to achieve sustainable growth and maximize the corporate value of the Group to ensure stable compliance with the criteria for continued listing on the Prime Market.

Our Status of Compliance with the Continued Listing Criteria

	Number of shareholders	No. of tradable shares	Market capitalization of tradable shares	Tradable share ratio	Average daily trading value	
The Company's status and trend of compliance	June 30, 2021 ¹ (as of the transition reference date)	-	27,068 units	5.44 billion yen	35.2%	7 million yen
	As of May 31, 2024 ¹	9,449	42,137 units	10.93 billion yen	54.8%	70 million yen ²
Criteria for continued listing on the Prime Market	800	20,000 units	10 billion yen	35%	20 million yen	
Compliance status	Compliant	Compliant	Compliant	Compliant	Compliant	

¹ The Company's compliance status was calculated on the basis of the distribution of company shares, etc., as understood by the Tokyo Stock Exchange as of the reference date.
² This is based on the notification from the Tokyo Stock Exchange concerning the status of compliance with the continued listing criteria (trading volume criteria) for the period between January and December 2023.

As I mentioned earlier, as the director in charge of finance, my goal is to double our dividend from the current 70 yen per share to approximately 140 yen per share, in accordance with our Medium- to Long-term Management Targets, based on a payout ratio of 38% that we published in February 2024, by achieving an operating margin of at least 5% as soon as possible. I will do my best to meet the expectations of our stakeholders.





Sustainability Promotion System and Governance and Risk Management

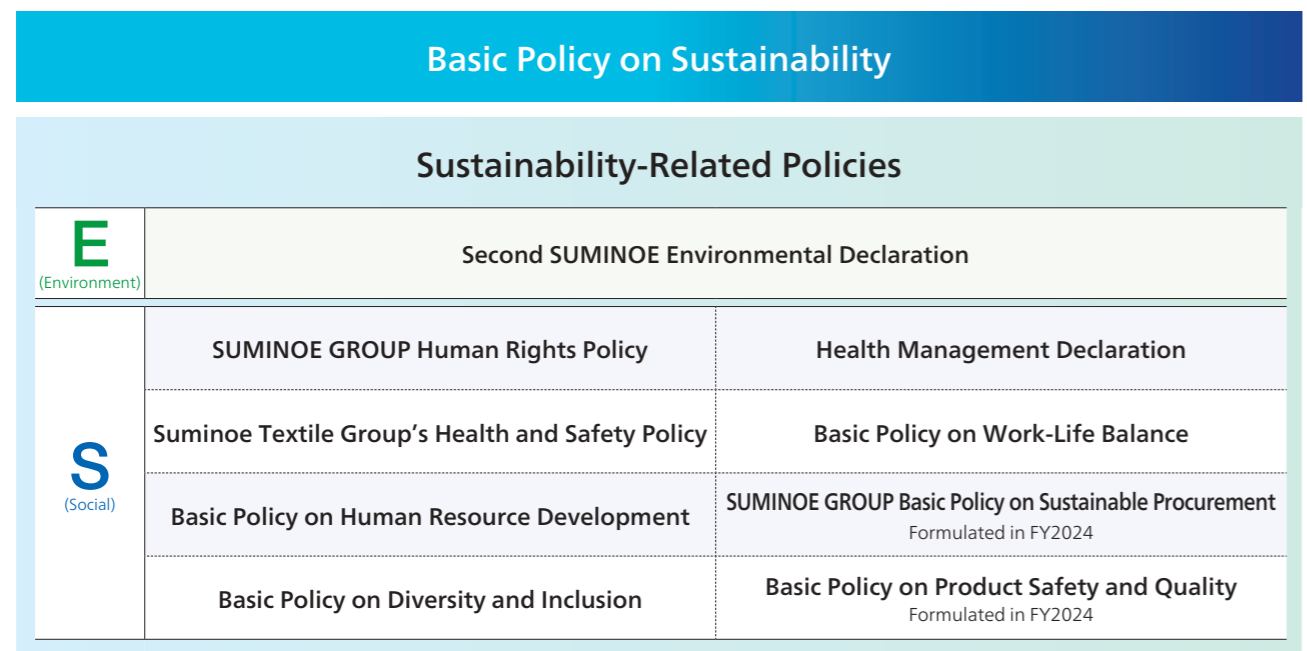
The SUMINOE GROUP holds meetings of the CSR Promotion Committee three times a year, under the corporate governance and CSR promotion system (see p. 53). Chaired by the Managing and Representative Director (General Manager of Administration Headquarters), the Committee deliberates on the activity policies and important challenges in the CSR and sustainability fields, related risks to be addressed with priority, etc. The results of the deliberations are reported to the Executive Committee/CSR & Internal Control Council and then approved 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 and address these issues through its business operations based on the international standards and norms. With this recognition, we have established the Basic Policy on Sustainability and Related Policies as guidelines for 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.
Sustainability-Related Policies	The Sustainability-Related Policies were formulated as subordinate policies to the Basic Policy on Sustainability. For more details, please tap the following link: Sustainability Sustainability CSR SUMINOE Co., Ltd.

Framework of the Basic Policy on Sustainability and Related Policies



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.

Two Sustainability-Related Policies Formulated in FY2024 and Initiatives in line with These Policies

1 Sustainable procurement initiatives

SUMINOE GROUP Basic Policy on Sustainable Procurement

In order to help realize a sustainable society, the SUMINOE GROUP will promote, in its procurement activities, sustainable procurement that not only considers quality, price, delivery time, service, and technological development capabilities, but also takes into consideration social responsibilities in ESG aspects (E: environment, S: social, and G: governance).

- 1) We will strive for partnership.
- 2) We will conduct fair and impartial transactions
- 3) Human rights, labor, safety and health, and compliance
- 4) Environment

Through responsible procurement activities, the SUMINOE GROUP will work together with suppliers to contribute to the creation and development of a sustainable society. By taking on this challenge, we hope that both the Group and its suppliers will improve their corporate value. Based on this idea, in June 2024, we formulated the SUMINOE GROUP Basic Policy on Sustainable Procurement and the SUMINOE GROUP Sustainable Procurement Guidelines (first edition). In FY2025, these policies and guidelines will be distributed and disseminated to suppliers.

Supplier Code of Conduct

1. Human rights and labor
2. Occupational health and safety
3. Environment 4. Compliance
5. Safety and quality of products and services
6. Coexistence with the local community

Process of formulating the Sustainable Procurement Guidelines

Step	Descriptions
STEP 1	The CSR Promotion Department created the gist by referring to international norms, among others.
STEP 2	Opinion exchanges with consulting firms (several times)
STEP 3	Conferences held with procurement personnel in each department (three times)
STEP 4	Deliberations at the CSR Promotion Committee meetings
STEP 5	Deliberations at meetings of the Executive Committee/CSR & Internal Control Council
STEP 6	Resolved at the meeting of the Board of Directors

(March 2023–May 2024)

Initiatives for respecting human rights

We are currently promoting human rights due diligence (hereinafter "HRDD") initiatives in accordance with the SUMINOE GROUP Human Rights Policy. HRDD is a continuous process to enhance the effectiveness of initiatives for respecting human rights. The process involves identifying the possible risks of human rights violations associated with business activities, taking measures to prevent and resolve these risks, and verifying the effectiveness of these measures. In FY2025, we plan to conduct a questionnaire survey of suppliers as well as concerned parties within the Company. The purpose is to understand the actual conditions inside and outside the Company regarding the identification of human rights risks that the Group should address and regarding the initiatives for respecting human rights to be undertaken in implementing sustainable procurement.

2 Product safety and quality

The SUMINOE GROUP believes that it is our corporate responsibility to improve customer satisfaction and contribute to society by providing safe and secure quality products and services.

To ensure that each and every employee properly understands the "product safety and quality" and actively implements safety and quality measures, we have formulated the Basic Policy on Product Safety and Quality. Under this policy, we aim to establish and operate safety assurance and quality control systems.

Basic Policy on Product Safety and Quality

The SUMINOE GROUP aims to produce and sell quality products and thereby contribute to the improvement of society. In order to provide safe and reliable quality products and services that meet market needs and help our customers live healthy and fulfilling lives, we will utilize the manufacturing strengths we have cultivated since our founding to manage safety and quality throughout the entire product lifecycle and thereby maintain and improve quality.

Activity Guidelines

1. We will fulfill our responsibilities as a supplier by designing, manufacturing, and selling products that meet the safety standards set forth by laws and regulations and ensure sufficient product safety.
2. We will comply with laws and regulations applicable to the quality of our products and services, as well as our own quality standards and customer requirements.
3. We will provide customers and consumers with accurate and clear information about our products and services.

About Initiatives

- Construction of quality management system
We have obtained and maintained ISO9001 series certification (for major domestic production sites) and IATF16949* certification (for overseas production sites). We have obtained and maintained ISO/IEC17025, an international certification for testing operations.
- * IATF16949 is an international quality management system for the automotive industry.
- Management of chemicals and hazardous substances
We have established the "SUMINOE GROUP Green Procurement Guidelines" to identify chemicals and hazardous substances that may pollute the environment and manage them safely.

E Environment

Under the Slogan of KKR+A

As an industry pioneer, the SUMINOE GROUP has pushed forward 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, guided by its fundamental development philosophy, "KKR+A," the Group has focused on researching and developing technologies and products that are environmentally and people-friendly, while promoting interior environment improvements and the use 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 Suminoe Textile Group's "Second SUMINOE Environmental Declaration – Under the Slogan of KKR+A," which aims to ensure that our products will be used by many more people and to promote "KKR+A" around the world through the implementation of global strategies. The entire SUMINOE GROUP will make concerted efforts to achieve 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 – Under the Slogan of KKR+A

<p>1 We shall provide healthy and environmentally friendly products.</p> <p>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.</p>	<p>3 We shall address the circulating society.</p> <p>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.</p>
<p>2 We shall work to prevent global warming.</p> <p>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.</p>	<p>4 We shall promote the reduction of CO₂ emissions.</p> <p>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.</p>

Environmental Activity Guidelines

- 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.
- 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 attempt to maintain an internal system to promote environmental protection and enhance the environmental consciousness of all employees.

Resources for the Future—Initiatives to Realize a Circular Economy through Our Products

Upholding the realization of a circular economy* as part of the value that we offer, the SUMINOE GROUP has for a long time been working on manufacturing based on the concept of resource circulation. In response to the ever-increasing environmental awareness among the general public, we have been promoting the sales expansion of recycling-oriented products developed to embody the "KKR+A" philosophy. Chief among them are the ECOS® series, eco-friendly carpet tiles under the horizontal recycling system, which features a high recycled material ratio and a high rate of avoided CO₂ emissions, and スミトロン® (SUMITRON), which is a continuous fiber made from recycled PET bottles.

* Circular economy: This economic activity aims to create a sustainable society by circulating resources to reduce waste and contamination.

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

ECOS® is produced under the "ECOS® Recycle System" for the horizontal recycling of used carpet tiles. Specifically, used carpet tiles, which were previously dumped in landfills, were collected and recycled into the backing of new carpet tiles using the chipped PVC resin produced from the backing of the collected carpet tiles. Since its launch in 2011, we have expanded the ECOS® product line while improving the recycled material ratio^{*1} and the rate of avoided CO₂ emissions^{*2}. In 2022, the ECOS® LX series achieved a recycled material ratio of 72% and an avoided CO₂ emission rate of 49%.

In 2020, we abolished the dyeing process by changing the pile yarn used in all the carpet tile products to solution-dyed yarn. As a result, we succeeded in significantly reducing the environmental impacts of water usage, electricity usage, and wastewater produced during production.

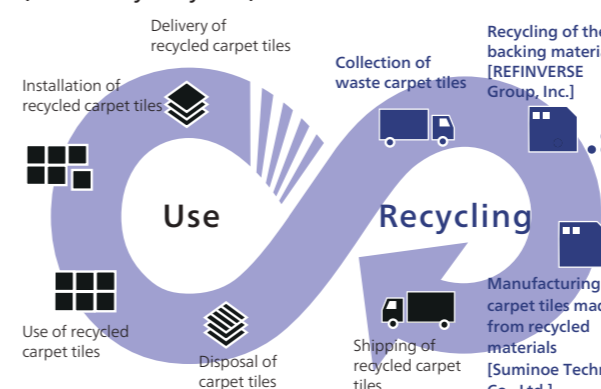
Furthermore, in 2023, we launched the ECOS NEO™ series. By using recycled materials (recycled nylon yarn) not only on the backing but also on the pile surface, ECOS NEO™ EX has achieved a recycled material ratio of 81% and an avoided CO₂ emissions rate of 61%, both of which are at the highest level in Japan.

The concept of ECOS®, which has attained a high recycled material ratio and a high rate of avoided CO₂ emissions, has been highly regarded in the market. In 2023, the ECOS® series was adopted for a large-scale project in the metropolitan Tokyo area. In FY2024, it was also employed in numerous buildings, primarily in the metropolitan Tokyo area.

*1 Recycled material ratio: The mass ratio of the recycled materials used in a product to the entire product.

*2 Rate of avoided CO₂ emissions: The value of comparing CO₂ emissions per the same area between ECOS® and a product that does not use recycled materials. For CO₂ emissions, we use the Company's LCA values (LCA stands for Life Cycle Assessment). LCA is a method of quantitatively evaluating the entire product life cycle, including the procurement of raw materials, product production, distribution, use, disposal, and recycling of products. The impact on global warming is assessed based on CO₂ emissions.

Horizontal recycling system (ECOS® Recycle System)



Recycled material ratio at the industry's top level

All the ECOS® series products achieved a high recycled material ratio and a high rate of avoided CO₂ emissions.

	Recycled material ratio	Rate of avoided CO ₂ emissions
ECOS® LX series	72%	49%
ECOS® iD series	70%	49%
ECOS® LP series	69%	47%

ECOS NEO™, whose recycled material ratio and rate of avoided CO₂ emissions are among the highest in Japan

Using recycled nylon yarn on the surface piles
Using materials recycled from used carpet tiles on the backing

81% Recycled material ratio
61% Rate of avoided CO₂ emissions

* ECOS NEO™ EX

スミトロン® (SUMITRON) continuous fiber made of recycled polyester

The development of スミトロン® (SUMITRON) began with the objective of creating an "eco-friendly yarn" to enable the in-house manufacturing of pile materials, which are the most important components of carpets. In 1989, it was born as a continuous fiber that was recycled from PET bottles. Since then, スミトロン® (SUMITRON) has been used as a material for interior carpets, mainly for household and contract use. As global environmental protection is becoming a pressing issue for people around the world, market expectations for the environmental capabilities of the SUMINOE GROUP are increasing. In addition to being made through the recycling of used PET bottles, スミトロン® (SUMITRON) is a solution-dyed yarn, which is produced without discharging the dyeing wastewater and has resistance to discoloration caused by friction. For these features, スミトロン® (SUMITRON) has attracted attention, leading to its adoption as a car seat covering material. Thus, the product expands the scope of its possible applications beyond interior use.

E Environment

Initiatives to Address Climate Change Issues

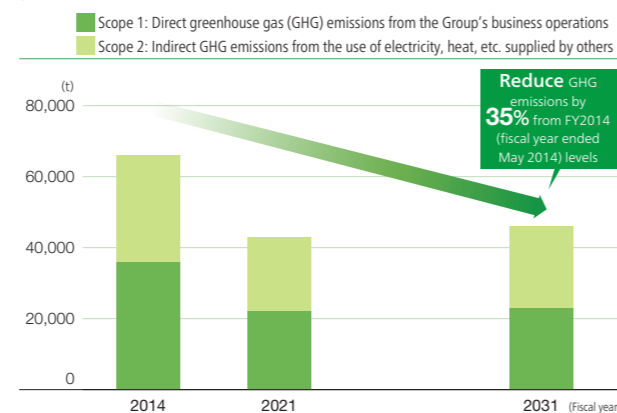
Target for reducing greenhouse gas emissions

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.

Targets for reducing greenhouse gas (CO₂) emissions per unit of sales



* 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.

Initiatives to reduce greenhouse gas emissions from business activities

In the fiscal year ended May 2022, the Group completed energy conversion at overseas and domestic bases and reorganized the Nara and Shiga Factories of Suminoe Techno Co., Ltd., resulting in improved production and logistics efficiency. In the fiscal year ended May 2023, we introduced photovoltaic power generation systems into the T.C.H. Suminoe Co., Ltd., an overseas production site, which is promoting the use of renewable energy. In this way, initiatives are underway to reduce greenhouse gas emissions from our business activities.

Calculation of GHG emissions (Scope 3)

In July 2023, we started the calculation of Scope 3 GHG emissions from six major Group companies in Japan (Suminoe Textile Co., Ltd., Suminoe Teijin Techno Co., Ltd., SUMINOE Co., Ltd., RUNON CO., LTD., Suminoe Techno Co., Ltd., and Suminoe Logistics Co., Ltd.)

As a result of the calculation for FY2024, annual Scope 3 emissions amounted to 455,000 tonnes of CO₂, with category 1 emissions accounting for 74.7%.

We plan to include data on two Japanese companies (Owari Seisen Co., Ltd. and Teijin Teclath Ltd.) in the calculation in FY2025 and then add overseas Group companies in FY2026. In doing so, we will continue to calculate Scope 3 GHG emissions.

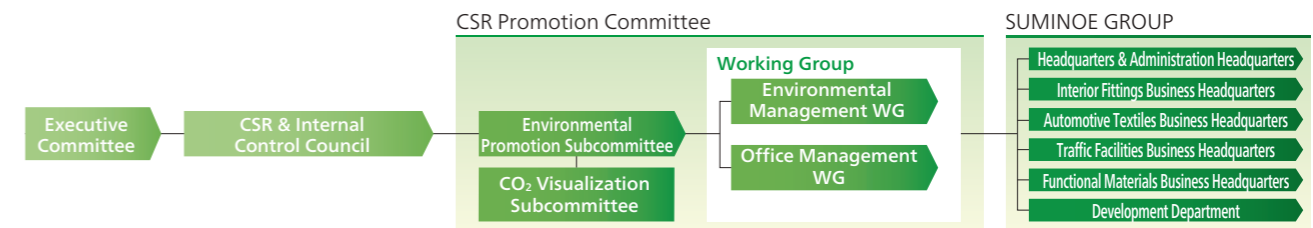
Introduction of Environmental Management System

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 and one overseas have obtained ISO 14001 certification, and one factory Eco Action 21 certification.

	ISO14001: 2015				Eco Action 21: 2017
	Nara Factory, Shiga Factory	Teijin Teclath Ltd.	Owari Seisen Co., Ltd. Head Office Factory, Ishikawa Factory	T.C.H. Suminoe Co., Ltd.	TANGO TEXTILE Co., Ltd.
Screening and registration agency	Japanese Standards Association	Japan Quality Assurance Organization	Japan Quality Assurance Organization	TÜV NORD CERT GmbH	Institute for Promoting Sustainable Societies
Registration number	JSAE 235	JQA-EM1519	JQA-EM3114	44 104 24 80 0060	0009522
Registration date	May 2000	April 2001	March 2003	July 2006	July 2013
Registration renewal	8th renewal completed (May 2024)	7th renewal completed (April 2022)	7th renewal completed (July 2023)	6th renewal completed (October 2024)	5th renewal completed (July 2023)

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.



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, formed within the CSR Promotion Committee, which comprises representatives from respective business headquarters and departments, develops 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. Matters deliberated and decided by the CSR Promotion Committee are reported to the Executive Committee/CSR & Internal Control Council for approval.
- We have formulated "Eco Challenge," as a set of goals for 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 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 Strategies

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

The Environmental Promotion Subcommittee plays a central role in identifying and evaluating climate change-related risks and opportunities, formulating policies and strategies to minimize risks and seize opportunities, and managing 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 (per unit of sales) resulting from business activities by 3% from the levels of FY2021.
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.

Regarding Scope 3, for FY2024, we started calculating emissions from six major Japanese Group companies* as the first step. In FY2025, data from two companies* will be added to the calculation. After determining the actual conditions of Scope 3 emissions from the Group, we will discuss specific measures.

* Please refer to the section "Calculation of GHG emissions (Scope 3)" on p. 41.

E Environment

Eco Challenge 2024

Business activities undertaken by the SUMINOE GROUP are closely linked to the environment throughout the entire lifecycle of our products, including product development and design, material procurement, production, sales, distribution, consumption, disposal, and recycling.

For this reason, the Group is working on assessing and reducing the impact on the environment of all our business activities. In particular, we are committed to manufacturing environmentally friendly products. One example is the active use of recycled materials, including polyvinyl chloride powder from used carpet tiles and raw cotton and polyester pellets from PET bottles. Concurrently, Group-wide efforts are underway to achieve the goals set under Eco Challenge 2024.

Activity Goals of Eco Challenge 2024 and Results for FY2024

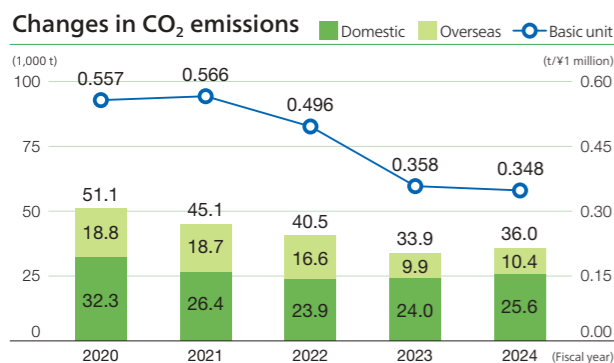
	Work areas	Indicator	FY2024 final numerical targets	Base FY	FY2024 results	Evaluation
1	Prevention of global warming	Reduction of CO ₂ emissions (energy consumption)	Reduce by 3% (basic unit).	2021	Reduced by 38.5% (basic unit).	○
2	Resources conservation	Increase in utilization rate of recycled resources (major factories in Japan ^{*1})	Increase by 3%.	2021	Increased by 31.4 %.	○
3	3Rs regarding waste material	Reduction of industrial waste	Reduce by 3% (basic unit).	2021	Reduced by 28.4%.	○
		Increase in recycling rate	65% or more	—	45.0%	△
		Reduction in rate of waste disposed of in landfills	10% or less	—	38.6%	△
4	Prevention of environmental pollution	Reduction of air pollution (reduction of N ₂ O emissions)	Reduce by 3% (basic unit).	2021	Reduced by 25.5% (basic unit).	○
5	Promotion of green activities	Increase in green purchasing rate for office supplies (in Japan)	95% or more	—	87.6%	△
6	Promotion of LCA assessment for products ^{*2}		Perform LCA for 18 items.	—	60 items	○
7	Promotion of development of environment-friendly technologies ^{*2}		3 cases	—	2 cases	△
	Promotion of development of environment-friendly products ^{*2}		9 cases	—	8 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 of Suminoe Techno Co., Ltd., Teijin Teclot Ltd., and Head Office Factory and Ishikawa Factory of Owari Seisen Co., Ltd.
^{*2} The figures for targets and results are cumulative totals from FY2022 to FY2024.

Results for FY2024

1 Prevention of global warming

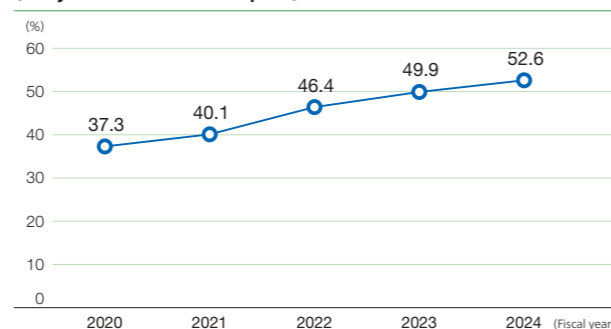
We assess the impact of our corporate activities on global warming based on CO₂ emissions. In FY2024, since the data of seven Group companies in Japan were newly included in the calculation, the total amount of emissions increased. However, we reduced CO₂ emissions in terms of the basic unit.



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)

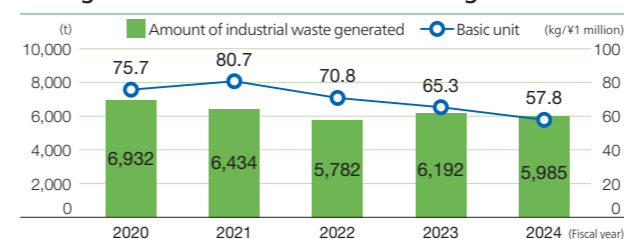


3 3Rs regarding waste materials*

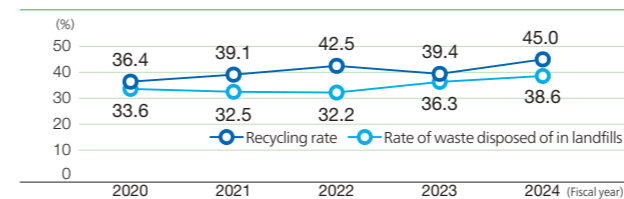
We are striving to reduce industrial waste generation by minimizing unused materials for our products, by not manufacturing products that do not pass quality standards, and by using resources effectively.

* Reduce, reuse, and recycle

Changes in amount of industrial waste generated



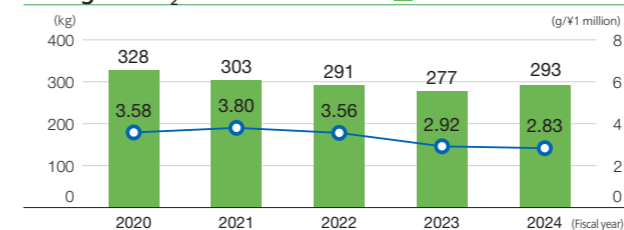
Changes in recycling rate and rate of waste disposed of in landfills



4 Prevention of environmental pollution

Among the atmospheric contaminants, nitrous oxide (N₂O) was used as an example to explain changes in air pollution. In FY2024, since the data of seven Group companies in Japan were newly included in the calculation, the total amount of emissions increased. However, we reduced N₂O emissions in terms of the basic unit.

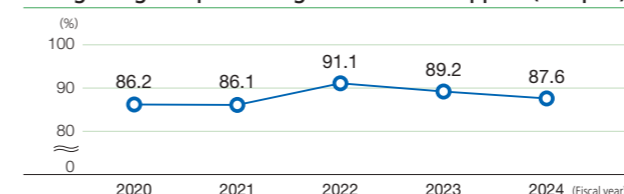
Changes in N₂O emissions



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 2024, we conducted LCA assessments for 60 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

New technologies and products in FY 2024

Promotion of the development of environmentally friendly technologies

“Vguard,” antibacterial and antiviral processing technology

Promotion of development of environment-friendly products

Antibacterial and antiviral carpet tiles

“ECOS® LX-1000V, iD-4000V, and iD-4100V”

8 Promotion of biodiversity preservation in business activities

Activity policy

1. Reducing the impact of business activities on biodiversity

- 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.

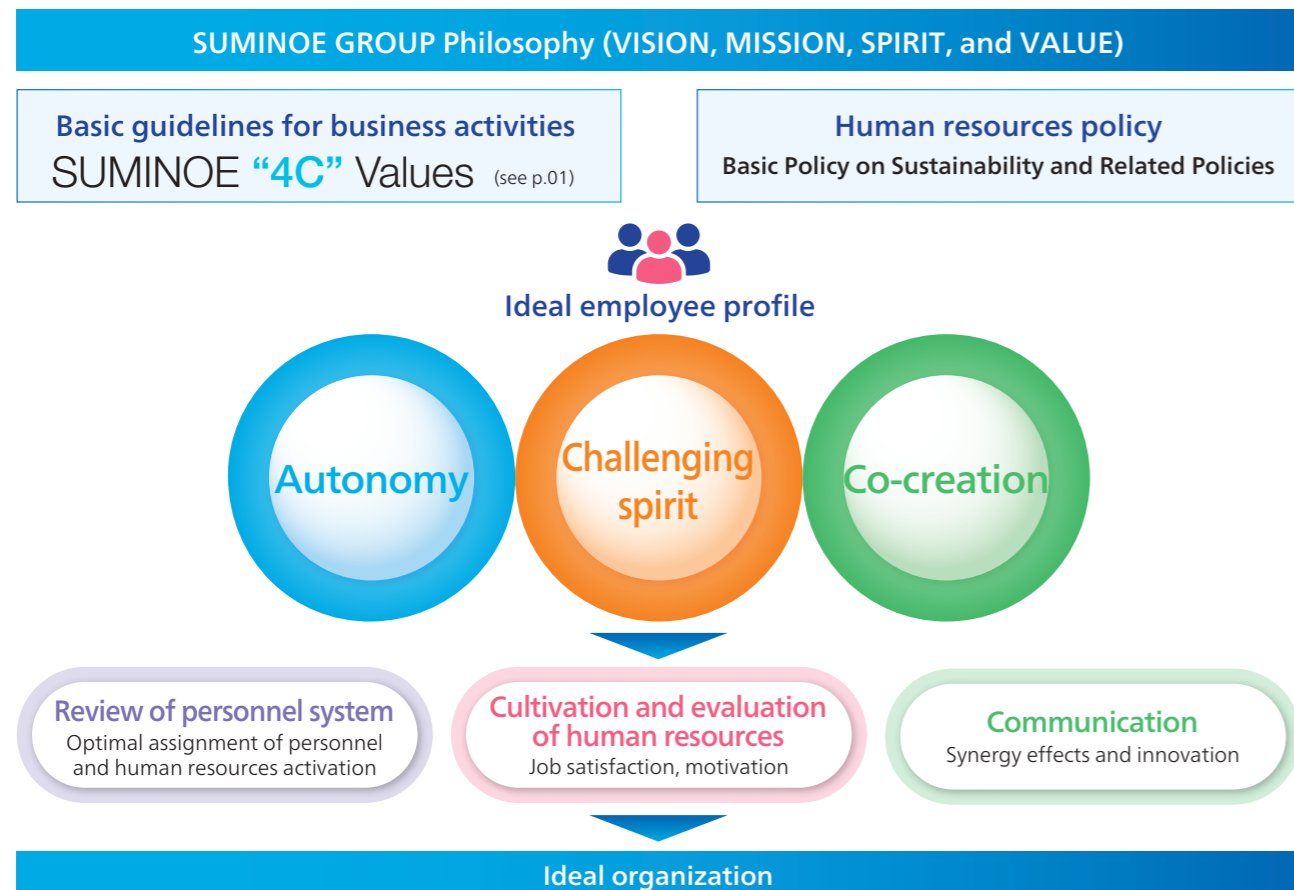
Factory	Activity
Shiga Factory of Suminoe Techno Co., Ltd.	Propagating the Sasayuri lily on the factory premises
Factory at the head office of Owari Seisen Co., Ltd.	Helping protect fireflies as a supporting member of the Ichinomiya Heisei Firefly Association

S Social

Human Capital

The SUMINOE GROUP considers human resources to be the source of sustainable corporate growth and the most important assets. The Group strives to develop human resources with highly professional and creative personalities.

Human resources strategies to create an ideal organization



Ideal employee profile for Suminoe Textile

	Autonomy	Challenging spirit	Co-creation
Overall	Persons who can think by themselves and act autonomously	Persons who can take on higher roles, without fear of changing, from diverse perspectives	Persons who can create new value in collaboration with others, through many dialogues
Young employees	Understand the situation and problems, think by themselves, and act autonomously	Proactively work without fear of failure	Actively communicate with people around them and achieve targets in cooperation with them
Mid-level employees	Take the leadership and promote themselves and others to take action	Look to the future and implement measures to resolve problems without being content with the status quo	Encourage people inside and outside the Company to work together to create better value
Managers	Imagine organizations and jobs from a wide perspective and play a leading role in cooperating with superiors and subordinates	Adopt new ideas and methods with determination without being constrained by the status quo	Communicate with stakeholders inside and outside the Company from a broader perspective and lead the entire organization toward achieving its targets.

Education centered on the ideal employee profile

We have revised the level-based and self-development training programs to ensure that they are aligned with the "ideal employee profile for Suminoe Textile," which was defined in FY2024. In particular, to allow new employees to clearly understand the ideal state in their first year of employment regarding "autonomy," "challenging spirit" and "co-creation," each department has drawn up its education plans, which are used in the systematic on-the-job training (OJT).

As part of our efforts to improve self-development training, we have introduced e-learning through which trainees can view more than 3,000 videos on diverse topics, such as organizational management, leadership, technology, and innovation. In this way, we support employee personal growth.



Initiatives to enhance managers' management capability

Suminoe Textile held training to enhance management capability in January and February 2024, with the participation of 94 managers in Japan.

Enhancing management capability is an important task for a company. With this recognition, the Company offered three training programs on different themes ("How to guide and foster staff members," "Letting staff members exhibit their abilities" and "Improving relationships with staff members"), from which participants selected and received.

Initiatives to promote a career self-declaration system

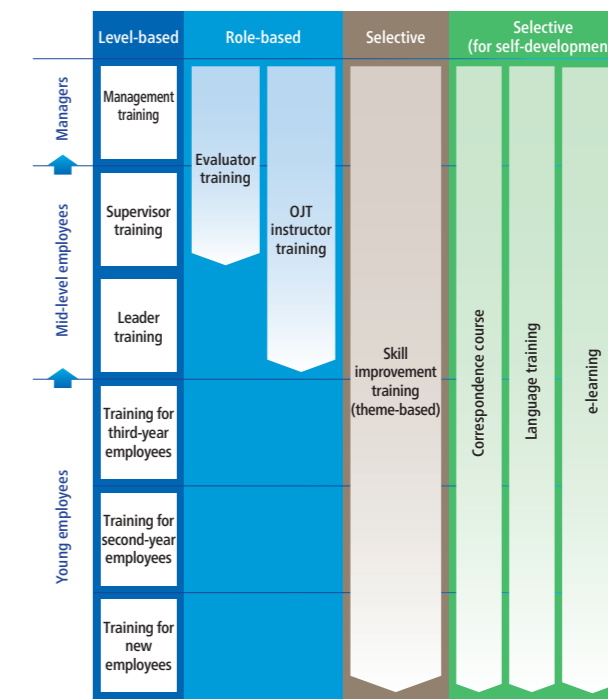
In June 2023, Suminoe Textile introduced a system under which employees can consider their future career path and declare it to the Company. The content of the declaration is effectively used at department managers' human resources development meetings and interviews with employees. This system allows employees to make a career self-declaration annually. We will continue to make effective use of this system to reinforce human capital.

Implementing skill improvement training

To promote the personal growth of all employees, the SUMINOE GROUP implements education and training programs throughout the Group. These programs include level-based and role-based training and skill improvement training on various themes for voluntary participants. In FY2024, skill improvement training programs were conducted on the themes of "Effective use of Excel and PowerPoint," which was designed to help improve work efficiency, and "Presentation skills improvement seminar" aimed at enhancing the presentation skills of employees.

In future, we plan to offer various themes to improve employee skills.

Education system



Number of employees undergoing training

	Total	Male	Female
Level-based, role-based, and skill improvement training	334	240	94
Correspondence courses, language training, and e-learning	122	65	57

Introducing a limited-area employee system

As part of its efforts to promote work-life balance, Suminoe Textile established a system under which employees are exempted from transfers that require residential relocation upon request. The system aims to realize flexible working styles of employees to support them in balancing work and life.

We will continue to strive for balanced human capital development through the revitalization of human resources and the realization of a work environment in which employees can enjoy working with peace of mind.

S Social

Active Participation of Diverse Human Resources

Under the Basic Policy on Diversity and Inclusion formulated in June 2022, the Group promotes the acceptance of the diversity of human resources, respect for individuals, and their participation. Moreover, based on the idea that enhancing diversity will facilitate a company's growth, we focus on creating such a corporate culture.

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 May 31 each year

Item	2023	2024	
Number of new graduates hired	Male	21	16
	Female	20	16
Ratio of female managers (%) ^{*1}	5.1%	5.1%	
Male-female wage disparities (%) ^{*2}	All employees	73.0%	72.6%
	Regular employees	75.8%	72.0%
	Part-time employees	68.5%	73.3%

^{*1} Percentage of female employees whose positions correspond to section chiefs or higher at 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

As of May 31 each year

Company	Item	Numerical targets	2024 results
Suminoe Textile Co., Ltd.	Ratio of new female graduates hired	35% or higher	46.2%
	Ratio of employees taking childcare leave by sex	Male: 25% or higher Female: 100%	88.9% 100%
SUMINOE Co., Ltd.	Ratio of new female graduates hired	40% or higher	60%
	Ratio of employees taking childcare leave by sex	Male: 25% or higher Female: 100%	66.7% 100%
RUNON CO., LTD.	Increase in No. of female managers	Increase one or more	0
	Monthly average overtime hours	Within 40 h	9.1 h
Suminoe Techno Co., Ltd.	Gender difference in length of continuous service	Within 2 years	2 years and 1 month
Suminoe Logistics Co., Ltd.	Ratio of female managers	30% or higher	33.3%
Owari Seisen Co., Ltd.	Monthly average overtime hours	Within 20 h	1.4 h

Topics

Lecture meeting on diversity promotion

(April 2024)

The Group regards "women's participation" as one of its priority areas for promoting diversity. To increase female employees' awareness of their career development, we held a lecture meeting with Ms. Yuko Shibuya, an outside director of the Company who was invited as the lecturer.

In the first half of the meeting, Ms. Shibuya delivered her lecture on the theme "What I want to tell you at the SUMINOE GROUP about women's participation and what I expected of you—To encourage individual employees to envision their future career paths and to enhance their motivation to take on challenges." She discussed her personal history, motivation graph, and real experience in building her career while striking a balance between work and family.

In the latter half, participants asked the lecturer questions, such as "What is worthwhile about your job as a company officer?," "What should be done to instill diversity in a company?," "What is the key to improving motivation?," and "What is the most lacking for the SUMINOE GROUP?" In response to these questions, she expressed her opinions.



Voices of the participants

Ms. Shibuya frankly spoke about how she has developed her career in her lecture. I found it very informative and helpful in thinking about my future career.

Her lecture made me realize that successful business women make constant efforts to self-improve by setting goals by themselves.

I have reaffirmed that human resources are a limited asset and that it is important to respect and utilize diversity to improve productivity and revenue.

Promote the active participation of Senior Employees

In the future, we are projected to face greater challenges regarding the labor shortage due to the declining birthrate and aging population, as well as passing traditional techniques and knowhow to the next generation. It is therefore important to make effective use of Senior Employees (those re-employed after retiring at the mandatory age of 60) in human capital use.

Topics

Conducting a questionnaire survey of Senior Employees

In the fiscal year ended May 2024, Suminoe Textile Co., Ltd. conducted a questionnaire survey of (1) Senior Employees, (2) their superiors, and (3) employees in their late 50s to understand respondents' views about the actual conditions of their work environments, their requests and expectations regarding working styles, what kind of work they wish to do, and their requests for the Company, etc.

To the question "What kind of work styles do you prefer?" the highest number of employees in their late 50s answered "I want to continue actively working on the front lines." The most common answers from Senior Employees were "I want to focus on passing on my knowledge, experiences and techniques to future generations" and "I want to provide support to employees on active duty." The above answers show a marked difference between age groups. As for the question "what kind of work do you want to do?" the greatest number of employees in their late 50s answered "work that I have experienced in my present department." However, 20% of them replied "work of different departments to which I have never belonged so far" and "new projects that involve several departments," indicating their interest in undertaking inexperienced work. We hope that they will maintain such positive attitudes toward challenges in inexperienced fields even after becoming Senior Employees.

Based on the results of the questionnaire survey, we will consider better ways to establish a work environment in which Senior Employees can play more active roles and develop appropriate measures.

Employees of Suminoe Textile Co., Ltd.	Number of respondents	Response rate
(1) Senior Employees	33	87.9%
(2) Superiors of Senior Employees	30	83.3%
(3) Employees in their late 50s	117	80.3%

Initiatives of the Group under the keyword "Tsunagu (lit. connect)"

Tsunagu-wa-cation

To further develop and deploy the Group's products, services and technologies and create social and economic value, it is essential to maximize synergies of the entire SUMINOE GROUP by working together, transcending

the boundaries of individual business segments and Group companies. Based on this idea, we hold exchange meetings (called "Tsunagu-wa-cation") designed for each job category and a combination of different job categories, including sales, design, procurement, and technology development. The objectives of *Tsunagu-wa-cation* events are to allow participants to improve their understanding of the Group and apply the knowledge they have acquired.

In FY2024, "Tsunagu-wa-cation" events were held for sales staff, procurement staff, and the combination of technology development staff and sales development staff. Event participants made presentations and exchanged ideas irrespective of differences between their segments and companies, which deepened their understanding of the SUMINOE GROUP. At the same time, these events provided them with an opportunity to consider the synergetic effects of the Group. As part of Group-wide efforts to achieve further growth, we will continue to hold the exchange meetings described above.

Topics

Tsunagu lecture meeting (backup meeting)

(July 2024)

We launched the "Tsunagu lecture meeting (backup meeting)," at which an internal expert who has a wealth of experience and track record serves as a lecturer to impart his/her skills, expertise, and mindset to younger generations in an interdepartmental and intergenerational manner. At the first *Tsunagu* lecture meeting held on the theme "Points to understand in doing work (development)," a former manager of R&D Center of Suminoe Teijin Techno Co., Ltd., lectured about "the importance of establishing a relationship of trust with customers," "attitudes toward work" and "the moment when I got a clue to my work," and "what you should keep in mind as a developer."



Voices of the participants

I felt a great sense of familiarity hearing his true views firsthand.

He told many interesting stories from the perspective of an expert with many years of development experience, which provided less-experienced developers with an opportunity to become aware of various things. I believe that the lessons learned from him will be an asset for our organization.

S Social

Safe and Secure Work Environment

The SUMINOE GROUP believes that the safety and health of individual employees form a foundation for its business growth. If employees can enjoy working, it will lead to employee happiness as well as the Group's growth as a "good enterprise."

Occupational health and safety

Promoting occupational health and safety initiatives and deliberating 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 FY2024, the rate of lost-worktime injuries was 2.75.

In FY2024, many occupational accidents occurred, particularly those caused by unsafe behaviors during nonroutine work. In response, Suminoe Techno Co., Ltd. started to keep "records on implementing KY (risk prediction) meetings" to confirm the safety measures against possible risks that may arise during the work in advance in writing. These records were shared at the meeting of the Central Health and Safety Subcommittee.

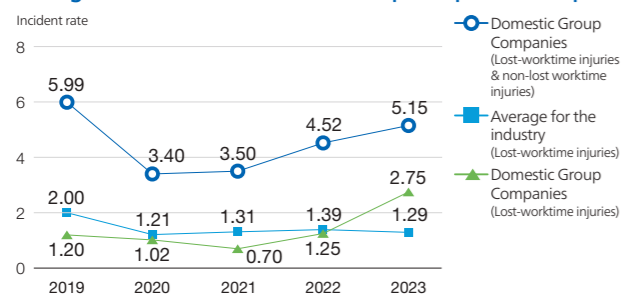
Activities for preventing occupational accidents (Suminoe Techno Co., Ltd.)

As part of its activities to prevent occupational accidents, Suminoe Techno Co., Ltd. conducts hands-on safety training in which employees experience firsthand the dangers of equipment and machinery. In FY2024, the Company conducted training at its Shiga Factory using a simulation system that provided employees with a realistic feeling of an electric shock, overcurrent, and tracking. Many employees believe that firsthand realization of the danger of equipment is effective in raising the safety awareness of operators. For this reason, Suminoe Techno will continue to conduct such trainings.

In FY2025, the Nara and Shiga Factories underwent workplace safety diagnoses by a third-party organization.

Taking advantage of the new perspectives gained from third parties, Suminoe Techno will promote activities to further develop a safe and secure work environment.

Change in the incident rate* of Group companies in Japan

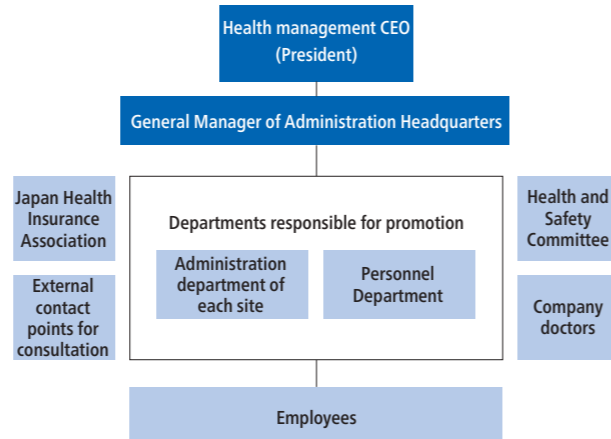


Source: 2023 Workplace Accident Trend Survey, Ministry of Health, Labour and Welfare

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

Health Management

Health promotion system of Suminoe Textile Co., Ltd.



Suminoe Textile conducts health management based on its health promotion system.

Recognition as a "Certified Health & Productivity Management Outstanding Organization"

Based on the concept of the Group's Health Management Declaration, Suminoe Textile is committed to promoting health management. For its achievements, the Company was recognized as one of the "Certified Health & Productivity Management Outstanding Organizations in 2024."



In FY2024, we placed an emphasis on health counseling by Company doctors, who gave advice mainly to employees whose health check results were not good and who worked overtime a lot, in addition to those seeking counseling. Regarding measures against lifestyle-related diseases, we expanded the scope of eligibility to help cover the expenses for cancer examinations, which resulted in more employees taking the examinations. In addition, a total of four health seminars were organized on themes such as "dental health," as part of intensified efforts to raise employee awareness regarding health promotion. The Company will continue initiatives to improve the health awareness of its individual employees.

Work-Life Balance

Enhancing support systems to achieve work-life balance

We strive to enhance the systems for supporting employees to strike a balance between work and childcare/family care. Concurrently, initiatives are underway to create a work environment in which everyone can continue working with peace of mind while using these systems by facilitating the understanding of these systems among people around the system users.

As of May 31 each year

Item/sex		2023	2024
Childcare leave, etc.	Number of employees who took childcare leave	Male	2
		Female	13
	Number of employees who returned to work after childcare leave	Male	2
		Female	12
Number of employees who reduced their working hours	Male	0	
	Female	22	
Number of employees who worked from home	Male	33	
	Female	21	
Family care leave, etc.	Number of employees who took family care leave	Male	0
		Female	0
	Number of employees who reduced their working hours	Male	0
		Female	0
Number of employees who worked from home	Male	4	
	Female	1	

Voices of the system users

Throughout my childcare leave, I learned firsthand how hard it is to raise a child, and I developed a greater feeling of thanks to my wife. It was very good for me not only to have time with my child but also to share time with my wife so that I can struggle with and talk about childcare.

By using the system for reducing work hours, I have postponed the work start time and advanced the work finish time to take my child to and from nursery. I am truly grateful that I can continue to work while cherishing time with my child.

Working style reform action plan 2023

Since FY2024, the Group has implemented the working style reform action plan 2023, as part of its measures to ensure employee well-being (a state of complete physical, mental and social well-being) and improve the performance of employees. Although the targets for the plan's first year were not attained, we will further strengthen and continue these measures to achieve the targets for FY2025.

SUMINOE GROUP working style reform action plan 2023

Indicator	Target	Results for fiscal 2024
1. Number of employees who worked 70 hours overtime a month	0	31
2. Use rate of annual paid leave	70%	63.6%
3. Rate of male employees taking childcare leave	100%	68.4%

Questionnaire Survey on Workplace Comfort (in-house employees' opinion survey) 2024

The Group has set "Create workplaces for employee happiness" as one of its Medium- to Long-term Management Targets. To achieve this target, it is necessary to understand employee engagement and clarify the problems and countermeasures.

The Group implements the Questionnaire Survey on Workplace Comfort every two years as a "fixed-point observation" to assess the progress of CSR activities (concerning the work environment, corporate culture, management, women's participation, and compliance awareness). In January 2024, we conducted a survey of approximately 1,700 people working at domestic Group companies, classified into managers and general employees*. The survey used multiple-choice and essay questions.

The survey results revealed an overall trend toward improved workplace comfort compared to the previous survey. However, these results also revealed some problems that should be addressed. Specifically, we found that both male and female employees were not willing to be promoted to managers, and the index that indicates the level of women's participation remained low. Furthermore, regarding the questions about "treatment regarding promotions, etc.," "evaluation of work results and efforts," and "adequacy of job assignment and personnel positioning," the answer analysis revealed a significant difference in perception between managers and general employees.

In the future, we will consider further developing initiatives to motivate employees to move up into a management position, such as increasing opportunities to exchange with a female manager role model and reviewing personnel and evaluation systems. We will also discuss specific initiatives to address perception differences between managers and general employees.

In this questionnaire survey, we extracted the engagement index, women's participation index, and the index for the perception of corporate hotline announcements. By establishing the next targets on the basis of these indexes, the Group will be able to develop more specific initiatives in the future.

*Managers here refer to those in managerial positions, and general employees refer to regular and contract employees, excluding managers.

Questionnaire survey results and 2026 targets

		2024 results	2026 targets
Engagement index	(Managers)	3.10	3.13
	(General employees)	2.70	2.73
Women's participation index	(Managers)	2.52	2.57
	(General employees)	2.51	2.56
Index of corporate hotline announcements	(Managers)	3.13	3.18
	(General employees)	2.72	2.77

* The above indexes are based on scales up to 4.

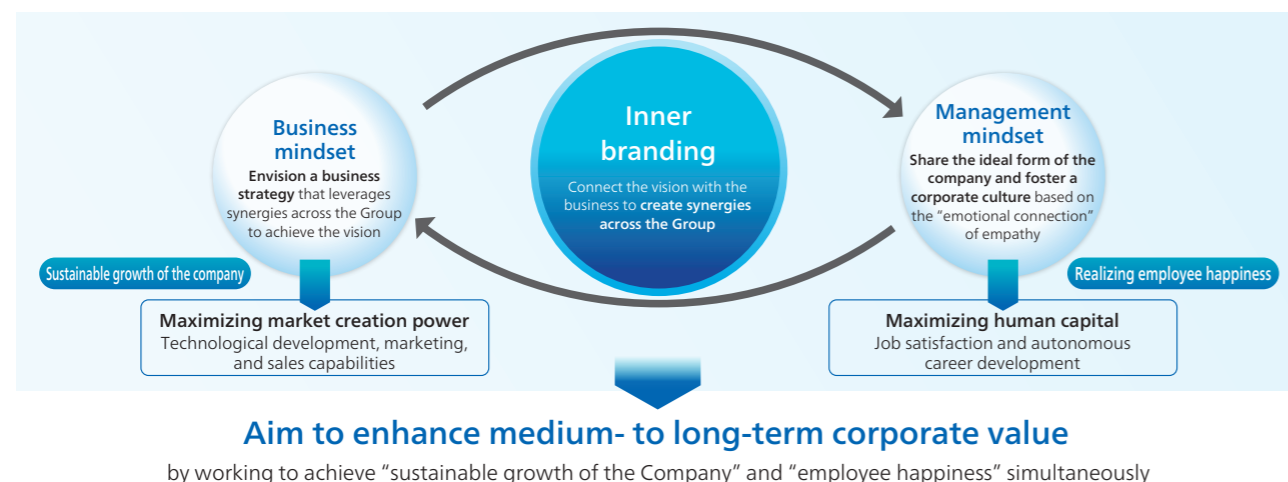
S Social

To Penetrate the SUMINOE GROUP Philosophy

What kind of innovation can we bring to any space to create the future we aim for?

To share this thought throughout the Group, we have been promoting the "Shin Mirai Project" since 2022. In June 2023, we established the SUMINOE GROUP Philosophy.

Conceptual diagram of corporate value enhancement through the Shin Mirai Project



Initiative to penetrate the Group Philosophy ①

"SUMINOE GROUP Philosophy training"

Between October 2023 and February 2024, we offered training to all domestic group employees to promote their understanding and penetration of the SUMINOE GROUP Philosophy and conducted in-person and video training sessions for 1,100 employees at various operation sites.

Training contents

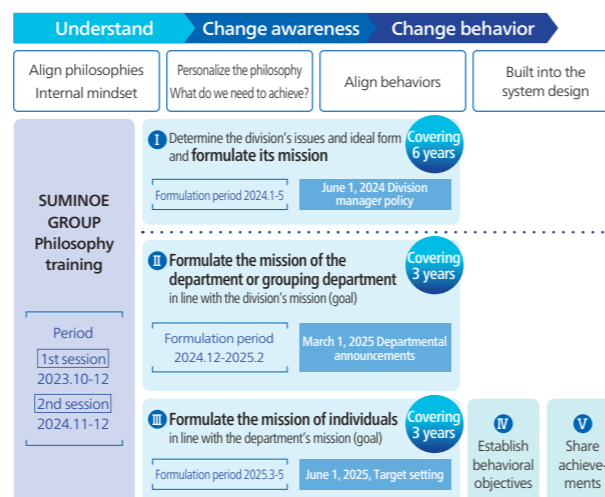
- Message from the President
- Background of promoting branding
- History of the SUMINOE GROUP
- Explanation of the SUMINOE GROUP Philosophy
- Future inner branding



Initiative to penetrate the Group Philosophy ②

Inner branding "establishing behaviors"

We promote inner branding based on curricula to promote understanding of the SUMINOE GROUP Philosophy and change employee awareness and behavior.



Although previous divisional meetings have focused on short- to medium-term business issues, we consider it a major achievement at this stage of our inner branding activities that we have held discussions from a long-term perspective for the first time (①).

Initiative to penetrate the Group Philosophy ③

Formulation of "divisional missions"

A mission was formulated for each division based on what each division can do to achieve the Group Philosophy (①).

The formulation of the mission was carried out in each division based on an "As-is and To-be" analysis.

The next stage is to break down the mission into departments and individuals (②③).

We then set behavioral objectives and share our achievements (④⑤).

Automotive Textiles Business Headquarters

Create textiles that people love and add color to the space where people around the world spend on the move.

Inherit the technology we have cultivated to provide a safe and comfortable space.

Establish new standards for automotive interior textiles using high-quality materials and innovative ideas.

Traffic Facilities Business Headquarters

Continue to provide stable supply with a sense of responsibility as the top manufacturer of interior textiles for railways and buses and the domestic public transportation system.

Aim to supply the products needed by railway and bus users while ensuring stable quality and continuing technology succession.

Functional Materials Business Headquarters

Boldly embrace new business developments and help create new corporate value.

Amid the weakness of conventional businesses caused by changes in market conditions and the business environment, the focus is on the creation of new businesses, which is the role assigned to this division. Doing so leads to the development of not only the division but also the SUMINOE GROUP.

Interior Fittings Business Headquarters

With pride in our tradition, create spaces where people and the environment can thrive in the future.

Take pride in being a division that has created tradition and contribute to society by providing the future form of products and spaces that are friendly to people and the environment.

Development Department

Create a cycle of value creation on a solid production base.

Aim for a cycle in which employees, the company, and technologies grow together by strengthening the foundation for creating technologies and promoting employee growth and happiness, and by creating value through new technology and product development linked to buying motives.

Headquarters and Administration Headquarters

Develop the environment and systems and pursue the sophistication and efficiency of operations to enhance the overall strength of the Group.

Comply with legal obligations and social norms. Increase corporate value and indirectly contribute to profits by addressing Group and sustainability issues with proactive thinking.

Future inner branding

We believe that the SUMINOE GROUP Philosophy permeates the Group when all employees internalize the Group Philosophy, understand the value that the Group provides and its strengths, and have a clear understanding of their individual missions. We believe that this will lead to the realization of the Philosophy. It is necessary to provide continuous training and share achievements at divisional, departmental, and individual levels.

Message

Helping to penetrate the Group Philosophy

Inner branding helps penetrate Group Philosophy and encourages changes in the company and employees.

If a company wants to ask its employees to change their behavior, it must first change itself. To create synergies and innovation within the Group, it is essential to create an environment and build systems. To this end, the Corporate Planning Department and the CSR Promotion Department are currently taking the initiative to communicate the ideal state and materiality (key issues) of the SUMINOE GROUP internally and externally and to activate communication throughout the Group.

Although the SUMINOE GROUP, with its tradition and history, has earned a high level of trust from our customers, I cannot deny the fact that we have a conservative corporate culture. Although we have sufficient ability to achieve results individually (departments and individuals), there are still many issues in terms of working together as one and demonstrating the comprehensive strength of the Group.

I believe that our Group's sustainable growth and corporate value enhancement can only be achieved if every employee personalizes the creation of synergies and innovation within the Group and changes their behavior. We will work on inner branding across the Group to deliver results from a long-term perspective.



Eiichi Shibuya
Group Leader
Promotion Group,
CSR Promotion Department

G Governance

Enhancing Governance

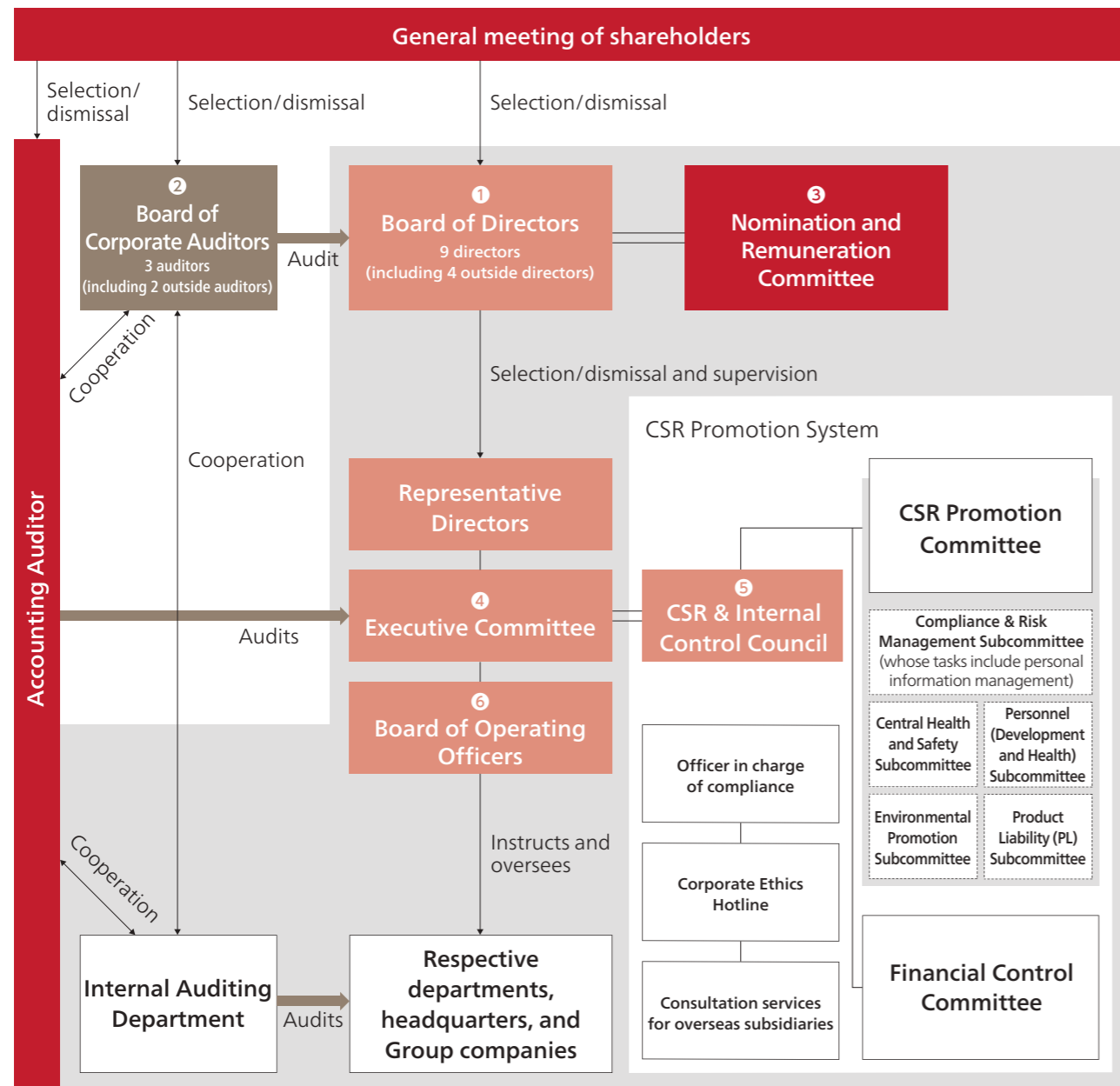
Basic approach

We believe that the purpose of corporate governance is to ensure the soundness and efficiency of management, and we strive to maintain an optimal management system at all times, taking into account all of our stakeholders. As we appoint outside directors and seek to strengthen the

functions of the corporate auditors system in an effort to achieve this, we established a Board of Directors to make quick and flexible management decisions and oversee business execution and a system of operating officers responsible for business execution.

Corporate Governance and CSR Promotion System

As of May 31, 2024



Governance system

1 Board of Directors (No. of meetings held in FY2024: 10)
The Board of Directors, consisting of nine directors (including four outside directors), oversees business execution and makes decisions on important matters. The presence of four outside directors (three of whom are independent outside directors) out of the nine enhances the transparency and objectivity of management as the board oversees business execution and makes strategic decisions.

Main issues discussed in FY2024

- [Matters decided]**
- Evaluation Report on Internal Control over Financial Reporting
 - Basic Internal Control Plan
 - The disposal of treasury shares as directors' remuneration and restricted stock compensation
 - Capital investment in carpets at Suminoe Textile de Mexico, S.A. de C.V.
 - Responses to achieve business management with an awareness of capital cost and share prices

[Matters reported]

- Audit plan and audit report
- Evaluation of the effectiveness of the Board of Directors
- Deliberation on the effectiveness of the Board of Directors
- The filing of the Securities Report (addition of the Sustainability Report)
- The filing of "Progress Based on Plan" for the Tokyo Stock Exchange Prime Market
- SUMINOE GROUP Philosophy training
- Progress report on the identification of materiality (material issues)
- Report on the identification of materiality (material issues)
- Sustainable procurement (basic policy and guidelines)
- IR activities
- Reports on harassment, etc.

Attendance at board meetings

As of May 31, 2024

Title	Name	Attendance at board meetings
President and Representative Director	Teppei Nagata	100% (10/10 times)
Managing Director and Representative Director	Hiroaki Usugi	100% (10/10 times)
Managing Director	Toshiro Maruyama	100% (10/10 times)
Director	Eiichiro Kimura	100% (10/10 times)
Director	Norihisa Murase	100% (10/10 times)
Outside Director	Haruo Shimizu	100% (10/10 times)
Outside Director	Kohei Nomura	100% (10/10 times)
Outside Director	Yumiko Oida	100% (10/10 times)
Outside Director	Yuko Shibuya*1	100% (7/7 times)
Full-time Corporate Auditor	Kiyokazu Ichikawa	100% (10/10 times)
Outside Corporate Auditor	Atsuhiro Sonoda	100% (10/10 times)
Outside Corporate Auditor	Takafumi Katayama	100% (10/10 times)

*1 Appointed in August 2023

2 Board of Corporate Auditors (No. of meetings held in FY2024: 9) Audit system

We are a company with a Board of Corporate Auditors, which consists of three corporate auditors (including two outside corporate auditors) who attend Board of Directors meetings.

The full-time corporate auditor audits directors' business execution by attending important internal meetings such as those of the Executive Committee and the Board of Operating Officers, reviewing important documents, such as approval documents, conducting on-site audits of executive departments, cooperating

with the internal auditing unit (Internal Auditing Department), learning about and exchanging opinions on the audit results from the accounting auditor, and holding regular group auditor liaison meetings of consolidated subsidiaries.

At the meetings of the Board of Corporate Auditors, the full-time corporate auditor reports to the outside corporate auditors on the situation of the Executive Committee, the Board of Operating Officers, and internal audits to share information.

Main topics discussed in FY2024

- Basic audit policy
- Audit plan
- Division of corporate auditor duties
- Priority audit items
- Other matters concerning the execution of corporate auditor duties
- Reappointment, evaluation, and remuneration of accounting auditor
- Sharing information about important meetings

Attendance at Board of Corporate Auditors' meetings

As of May 31, 2024

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)

3 Nomination and Remuneration Committee (No. of meetings held in FY2024: 1)

The Nomination and Remuneration Committee has been established 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 directors, thereby further enhancing the corporate governance system.

The committee membership comprises five outside directors selected by resolution of the Representative Directors, independent outside directors, and the Board of Directors. To ensure the independence of the Committee, a majority of the members are outside officers, including independent outside directors.

4 Executive Committee, 5 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. Significant CSR-related matters and the evaluation of internal controls over financial reporting are discussed at meetings of the CSR & Internal Control Council, which is attended by a full-time corporate auditor as an observer.

Main matters discussed by the CSR & Internal Control Council

- Business and human rights
- Sustainable procurement
- Progress report on the identification of materiality (material issues)
- Report on the identification of materiality (material issues)
- Penetration of the SUMINOE GROUP Philosophy
- Actual performance of the 2023 Working Style Reform Action Plan
- Calculation of greenhouse gas emissions
- Eco Challenge 2024 target and performance report
- Other subcommittee reports

6 Board of Operating Officers (No. of meetings held in FY2024: 12)

The Board of Operating Officers, which meets once a month, comprises Executive Committee members and operating officers. It communicates the key policies and decisions of the company, reports on the business of each executive division, and discusses issues.

G Governance

Evaluation of the effectiveness of the Board of Directors

Initiatives to evaluate the effectiveness of the Board of Directors

We analyze and evaluate the effectiveness of the Board of Directors to further improve its effectiveness and fulfill our accountability to stakeholders.

Process for Evaluating the Effectiveness of the Board of Directors

The effectiveness of the Board of Directors was analyzed and evaluated through the following process.

- 1 Prepare a "Questionnaire survey on the effectiveness of the Board of Directors" based on the present conditions of the Group.
- 2 Collect responses to the questionnaire survey from all directors and corporate auditors.
- 3 Compile and analyze the responses and prepare the evaluation results
- 4 Share the evaluation results at the board meetings

Questionnaire survey on the effectiveness of the Board of Directors
We conducted a survey with 25 questions in a multiple-choice format, with each question rated on a 5-point scale. The question topics and average scores are summarized as follows.

Question topic	Average score	
	FY2023	FY2024
1. Roles and functions of the Board of Directors	3.43	3.27
2. The structure and size of the Board of Directors	4.00	4.40
3. Operation of the Board of Directors	4.13	4.02
4. Coordination with auditing bodies	3.65	3.73
5. Relationship with outside directors	3.80	3.67
6. Relationships with shareholders and investors	3.53	3.78
7. General overview	3.67	3.75
Overall	3.74	3.80

The scores for "1. Roles and functions of the Board of Directors," "3. Operation of the Board of Directors," and "5. Relationship with outside directors" were lower than last year's average; the overall average was 0.06 points higher than in FY2023.

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

Issues for the future

- 1 Lack of discussions on management strategies from a medium- to long-term perspective (specifically, discussions on succession planning, discussions on nomination and remuneration, and preparation of training plans for directors)
- 2 Prior provision of information needed for board meetings
- 3 Coordination with the auditing bodies
- 4 Providing a forum for discussion outside board meetings
- 5 Reaching out to shareholders and investors

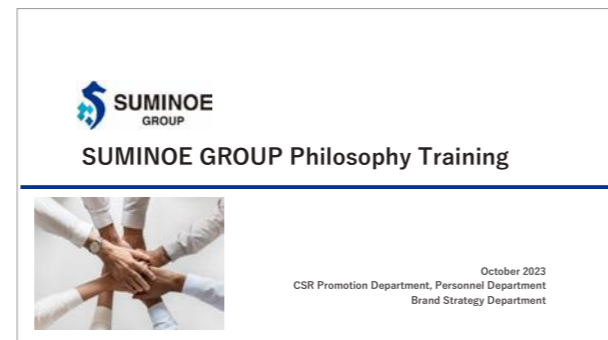
Efforts to address last year's issues

1 Enhance discussions on management strategies from a medium- and long-term perspective.

Topics including the FY2024 SUMINOE GROUP Philosophy, materiality, and sustainable procurement were discussed.

2 Augment opportunities for outside directors to deepen their understanding of the Company.

In January 2024, we offered an opportunity to watch a training video on the SUMINOE GROUP Philosophy, and in February, we invited outside directors to an internal exhibition by the Automotive Textiles Business Headquarters and introduced the direction we are aiming for in the future.



SUMINOE GROUP Philosophy training material



Internal exhibition by the Automotive Textiles Business Headquarters

3 Enhance reports on internal control and risk management systems.

We reported on the incidents, harassment reports, and consultations that occurred in FY2024.

We will continue to address issues in the operation of the Board of Directors while continually evaluating the effectiveness of the board to further enhance its functions.

Training for officers

Providing opportunities to enhance knowledge

Various training opportunities are offered to directors and corporate auditors to enhance their knowledge necessary for their respective responsibilities and duties. (pp. 55, 59)

We also strive to increase opportunities for outside directors to address issues raised in the evaluation of board effectiveness and to help them deepen their understanding of the Group. Upon their appointment, we explain the Group's management strategies and business nature/conditions and offer opportunities to visit factories and offices, as well as briefings by relevant directors as needed.

Close coordination with 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 oversee business execution.

Furthermore, outside corporate auditors proactively obtain the information required for audits from a neutral standpoint and share the information with other corporate auditors to strengthen the auditing environment.

Outside directors and outside corporate auditors maintain close coordination with the Internal Auditing Department and the accounting auditor, requesting reports on the implementation process of audits as needed and working to improve oversight and audit efficiency. If any inadequacies or deficiencies are identified through these oversights and audits, the Internal Auditing Department implements measures to correct and oversee the inadequacies or deficiencies and evaluates internal controls.

Auditing status

The Board of Corporate Auditors strives to strengthen coordination with the relevant organizations at all times in order to further enhance the effectiveness of audits conducted by corporate auditors.

The full-time corporate auditor reports to outside corporate auditors on the status of the Executive Committee, the Board of Operating Officers, and internal audits to ensure close information-sharing with outside corporate auditors.

Corporate auditors ask the Internal Auditing Department about the auditing status and follow-up on and verify the audit findings. The Internal Auditing Department attends business audits by corporate auditors as necessary.

The accounting auditor explains audit plans to corporate auditors at the beginning of the fiscal year and holds regular meetings during the fiscal year on the implementation status of accounting audits. As the need arises, the accounting auditor holds meetings with the Internal Auditing Department and the CSR Promotion Department to share audit issues, especially those related to internal control evaluations, and to strengthen coordination among the units involved. Efforts are also made to ensure close coordination, such as the timely exchange of information on accounting, opinions on audit schedules, and the attendance of corporate auditors in mid-term and term-end audits conducted by the accounting auditor.

Status of internal auditing

The Internal Auditing Department comprises two 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 audits the adequacy of operations of all Group companies in Japan and overseas and formulates and audits annual plans for the development and operation of internal control systems and processes, including internal control over financial reporting.

During the fiscal year that ended May 2024, the department conducted on-site audits of nine overseas Group companies in six countries—the United States, Mexico, Indonesia, Thailand, Vietnam, and China. In terms of internal control over financial reporting, 16 Group companies (including 7 overseas), including the Company, were evaluated, whereas 5 (including 1 overseas) of the 16 companies were evaluated for internal control over work processes.

The results of these internal audits are reported to the President and the Executive Committee, as well as to corporate auditors, the accounting auditor, and the Financial Control Committee to improve the internal control system by raising issues and making suggestions for improvement. In addition, the Department strives to reinforce mutual collaboration with the corporate auditors by, for example, holding liaison meetings whenever necessary.

We will continue to support the enhancement of corporate value to address changes and expansion of the matters and scope of governance and risk management.

G Governance

Remuneration for officers

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

The Group consults with an optional Nomination and Remuneration Committee and, on the basis of the Committee's response, decides the policy for determining details such as the remuneration of individual directors at a meeting of the Board of Directors.

1 Policy for determining the amount of each director's individual base salary, details of non-monetary remuneration, and method for calculating the value or quantity thereof

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 by the general meeting of shareholders.

The purpose of stock-based remuneration is to provide an incentive for directors to work toward a sustainable improvement of the Group's corporate value and to promote their sharing of value with shareholders. In view of this purpose, the amount deemed appropriate within the range of remuneration determined by the general meeting of shareholders is paid to the directors, excluding outside directors, at a fixed time each year in the form of restricted stock compensation, which may not be disposed of until the director's resignation or retirement.

2 Matters regarding the determination of details of remuneration, etc. of each director

The allocation of remuneration to each director and other matters are discussed by the optional Nomination and Remuneration Committee, which consists mainly of independent outside directors, and are discussed and determined at a meeting of the Board of Directors, which is also attended by outside directors and outside corporate auditors, based on the Committee's response.

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

The remuneration of corporate auditors is determined by discussion among the corporate auditors within the range of remuneration determined by the general meeting of shareholders.

Policy for constructive dialog with shareholders

The Group works to engage in constructive dialog with shareholders to deepen their understanding of our management strategies and business environment and to gain appropriate recognition from them.

We conduct annual investor relations (IR) activities with institutional and general investors at various locations in Japan. At the time of our earnings announcement, we brief major shareholders and solicit their opinions on the results and the Company's future initiatives.

In terms of handling undisclosed material facts, our basic policy is to ensure equality among shareholders. In addition to complying with the Financial Instruments and Exchange Act and other relevant laws, we work to ensure thorough information management based on our internal regulations for preventing insider trading.

Cross-shareholding

Reasonable and appropriate shareholding

The Company engages in cross-shareholdings for strategic purposes, such as maintaining smooth business relationships and strengthening stable and ongoing relationships with financial institutions, when it is deemed to contribute to improving the Group's corporate value.

Cross-shareholdings are reported to the Board of Directors semiannually to review the purpose of the holding, such as whether the benefits are commensurate with the investment, whether there are any risks, and whether the holding is appropriate and economically rational. The cross-held shares are sold when the purpose for holding them no longer exists.

Regarding the exercise of voting rights, we believe that the appropriate exercise of our voting rights will lead to a medium- to long-term increase in the value of the company in question and its sustainable growth. With this in mind, in principle, we determine whether to vote for or against proposals in light of the situation of and our business relationship with the company in question, and exercise our voting rights in respect of all cross-held shares.

When a company holding shares in the Group expresses an intention to sell, we basically agree.

Restructuring of core systems

We are driving the restructuring of core systems across the Group in a top-down manner.

To improve the efficiency of operations while preventing misconduct, we have been restructuring various systems to visualize the businesses.

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

This system contributes to establishing a structure that integrates production and sales functions by visualizing the order status from sales to procurement, production status from procurement to sales, and inventory status of materials, work in process, and products.

Business headquarters in Japan are gradually introducing a production management system specifically tailored to the textile industry. In FY2024, the system was fully launched in Suminoe Teijin Techno's sales division, and we initiated deploying the system to Suminoe Textile's Automotive Textile Business Headquarters and Suminoe Techno.

2 Improvement of the production management system (overseas)

Deeming IT control to be the most effective means of strengthening internal control at overseas Group companies, we have focused our efforts on inventory management, which involves particularly high risks. In FY2024, we worked on improving the accuracy of inventory management at Bondtex (U.S.) using a production management system, and we have now begun to upgrade the production management system at Suminoe Textile de Mexico.

3 Rollout of systems for managing receivables and payables and accounting

We are working to roll out and enhance the functions of the receivable and payable management and accounting systems introduced at Suminoe Textile in 2022 across the Group to improve work efficiency through paperless operations by eliminating vouchers and integrating receivable and payable balance data. In FY2024, we fully digitized delivery statements and invoices.

In future, we plan to introduce a cloud service for expense settlement, enhance management accounting, and work to prevent fraud.

4 Host computer migration

We are in the process of migrating our host computer to an open platform (rehosting) because the sales of the host computer (mainframe) that we have used for many years as the main infrastructure of our core system will be discontinued in 2030.

Interactive communication through "Management by walking around"

Interactive communication between employees and senior management 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 senior management and employees. In this initiative, officers (directors and operating officers) visit Group companies, etc. in Japan and overseas to exchange opinions with local employees.

In the fiscal year that ended May 2024, management visited 11 sites and 10 offices in Japan, as well as 1 overseas site (Suminoe Textile de Mexico). Although employees commented that daily work efficiency had improved because of the introduction of the new receivables/payables management system, they also raised issues such as aging facilities and equipment, aging employees, a shortage of manpower and a lack of opportunities for exchange with the Group's affiliates.

We plan to continue this initiative, allowing officers to observe the work environment firsthand and communicate directly with local employees, thereby leading to more effective improvement of the work environment.

Visits in the fiscal year that ended May 2024

(Japan) 10 sites

- Suminoe Textile Co., Ltd. East Tokyo Sales Department, West Tokyo Sales Department
- Suminoe Teijin Techno Co., Ltd. Hokuriku Office, Aichi Office
- SUMINOE Co., Ltd. Chubu Block, Chu-Shikoku Block
- RUNON CO., LTD. Nagoya Sales Office
- Suminoe Logistics Co., Ltd. Atsugi Center
- Owari Seisen Co., Ltd. Head office factory
- Kansai Laboratory Co., Ltd.

(Overseas) 1 site

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

Officer category	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen)			Number of eligible officers
		Basic salary	Performance-linked remuneration	Non-monetary remuneration	
Director*1	152	138	—	13	5
Corporate auditor*2	15	15	—	—	1
Outside officer	23	23	—	—	7

*1 Excluding outside directors *2 Excluding outside corporate auditors

G Governance

Ensuring Compliance

Basic Policy

Corporate activities in compliance with laws and corporate ethics

The Group has formulated its Code of Conduct and 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 at all times that their own ways of thinking and behavior are 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 raise compliance awareness among employees.

For example, Compliance Guidance is distributed to all Group employees in Japan and is used on an ongoing basis in compliance-related lectures when employees join the company or receive level-based training. We strive to raise compliance awareness daily by reading the Code of Conduct at morning assemblies.

Compliance training

Training for officers and executive employees

We invite external lecturers to conduct ongoing training sessions. In FY2024, we held an information security management training session on "Preparing for the Growing Cyber Security Threat," which covered the importance of information security, the responsibility of management, and the need to protect personal information.

To strengthen compliance awareness, we conduct training on "Business, Human Rights, and Sustainable Procurement" for all employees to promote the significance of the SUMINOE GROUP Human Rights Policy, which was established in FY2024.

Personal information protection briefing

To reduce the risk of personal information leaks, we hold briefings on the Act on the Protection of Personal Information and internal rules for handling such information for several Japanese Group companies that frequently handle personal information. In 2022, a briefing was held for all employees of the target companies (management employees for certain Group companies) and thereafter for new employees each year. Fifty-eight people attended the briefings held between

June and August 2024. The internal rules for handling information are included in the Risk Management Manual and the Compliance Guidance so that employees can refer to them at any time.

Continuously implementing in-house study sessions

Continuing from 2023, we held sessions on the Subcontracting Charges Law for certain Japanese Group companies. At the study sessions, we explain matters that an operator should be familiar with, such as the outline of the law, the shortening of electronic record claims and bill maturities that the Group has implemented in light of changes in the guidelines, and the passing on of labor costs. The briefing in June 2024 was attended by 110 people. All respondents to a questionnaire indicated that the briefing was useful. We also hold thematic study sessions on topics such as "points to note in contracts," "nondisclosure agreements," and "legal affairs (introductory)," and intend to continue to do so.

Whistleblowing system

Establishing whistleblowing contact points

The Group has established a Corporate Ethics Hotline as a point of contact for officers and employees to report incidents of violations of laws, regulations, or corporate ethics within their companies.

We will continue to raise awareness of the existence and use of these contact points through internal training.

Use of consultation services

As of May 31 of each year (number of cases)

Contact point for consultation	2023	2024
Corporate Ethics Hotline (internal contact point)	0	1
Corporate Ethics Hotline (external contact point)	0	0
Health consultation contact points (including harassment consultations)	9	3
Harassment consultation contact point	8	6
Total	17	10

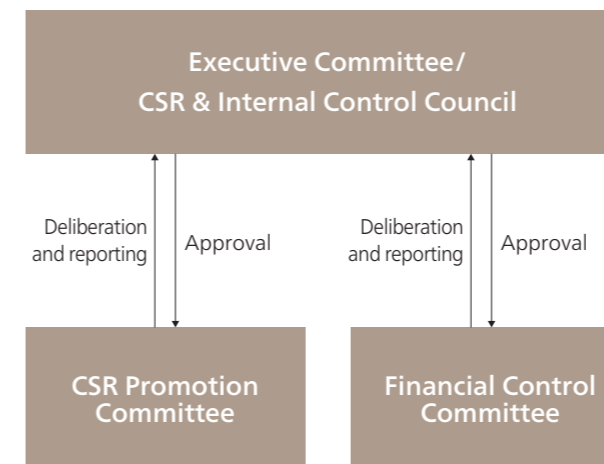
Risk Management

Risk management system

Reporting to the Executive Committee and the CSR & Internal Control Council after deliberation and review by each committee

The Group has established the following risk management system. The CSR Promotion Committee, which comprises members from the respective headquarters and departments, deliberates on matters relating to overall risk management activities, such as risk prevention measures and emergency response. The Committee then reports the results of its deliberations to the Executive Committee and the CSR & Internal Control Council for approval.

The Financial Control Committee reviews the assessment of the risks of material misstatement of financial statements based on the risks reported by Suminoe Textile and Group companies in Japan and overseas and reports the results to the Executive Committee and the CSR & Internal Control Council. Under this system, we have reduced risks to a certain level. We will continue to promote the introduction of information technology (IT) to develop a system that can further mitigate risks.



Initiatives in cyber security

In response to the recent increase in cyberattacks, we are implementing various initiatives, such as conducting phishing email drills, detecting device hacking, and introducing constant monitoring by an external operator in accordance with the Suminoe Textile Group Information Security Policy.

In the future, we plan to make company-wide efforts to strengthen our security measures to cover all of our business activities by formulating a security measure roadmap based on the results of a risk assessment conducted by a consulting firm.

Action Plan of the Business Continuity Plan (BCP*)

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, we have been working to establish our business continuity plans (BCPs), focusing on collecting information, such as that on employees' personal safety and damage caused by a disaster.

At the head offices of Suminoe Textile and SUMINOE, we conduct BCP-based personal safety confirmation drills annually, assuming an emergency.

The Crisis Response Manual on Overseas Assignment, which is included in the Risk Management Manual, ensures that we can quickly respond to emergencies at overseas Group companies.

*Business Continuity Planning. A plan designed to ensure business continuity and rapid recovery in the event of an emergency, such as a disaster or 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 have an accurate understanding of and deepen their knowledge of these rights. Therefore, we provide employees with intellectual property rights training when they join a company to raise their awareness of the importance of these rights to the company. In addition, the Group's acquisition of intellectual property rights and related information are reported at technical meetings held regularly at the Suminoe Textile head office and Nara Office. Furthermore, we always share the latest patent information within the Group by monitoring other companies' patents related to the Group's technologies and disseminating information to each relevant department.

The Group currently holds approximately 150 active patents, such as deodorant-related technology and recycled carpet technology, which they effectively use in the products. In addition to filing applications for specific commercialization, we focus on filing applications for prior-art patents considering future business development.

We will continue to provide education on intellectual property rights and share information for the strategic utilization and protection of these rights.



In light of the recommendations of the Outside Director, we aim to grow toward a sustainable future and increase our corporate value.

Teppei Nagata

President and Representative Director

Yuko Shibuya

Outside Director

To further improve the effectiveness of governance, President Teppei Nagata obtained the opinion of Outside Director Yuko Shibuya on the state of SUMINOE's business management. Outside Director, Ms. Shibuya, who previously worked as a product buyer at Takashimaya Co., Ltd., currently oversees Takashimaya's procurement unit as an operating officer and deputy general manager of the Merchandizing Headquarters. We asked her to share her views on the SUMINOE GROUP based on her extensive overseas work experience.

Demand creation is the next key to growth in the interior fittings market.

Nagata: It has been about a year since you became an outside director of our company. How did you view the environment surrounding the SUMINOE GROUP during this period?

Shibuya: In any era, there is seldom a year without ups and downs in business management. The fiscal year that ended in May 2024 was no exception, with a series of natural disasters in Japan and heightened geopolitical risks abroad. These factors led to a significant increase in the cost of raw materials and energy, which had a major impact on business in general. Meanwhile, exchange rate fluctuations cannot be ignored. The weak yen boosted sales in our overseas business, but the yen has recently appreciated. We must continue to pay close attention to future exchange rate trends.

Nagata: As you say, sudden exchange rate fluctuations are a difficult problem for business management. As a company manager, I would like to see a stable exchange rate of around 110 yen to 120 yen per dollar. Although a weak yen increases sales and profits for overseas businesses, it also increases the cost of raw materials and energy, which has a negative impact on business. In terms of overseas economies, the slowdown in China

poses a major risk to SUMINOE. However, overseas expansion has become even more important, especially in the Automotive Textiles business; thus, we need to monitor the situation closely and respond flexibly to expand our market in Asia.

By the way, Shibuya-san, how do you view the current situation of the interior fittings industry?

Shibuya: I think there are still opportunities in the business to business side of the interior fittings industry. For example, the entry of foreign hotels into Japan in response to the expected increase in demand from inbound tourists has given rise to expectations for new projects and demand. There was also a period of active household consumption due to the COVID-19 pandemic. Although this has calmed down a little now, I think the demand for improving living space will remain strong in the long term. In Japan, the population and the number of households are declining, but if we can capture the changes in consumers' lifestyles and tastes, I think there are still opportunities for the interior fittings industry.

Nagata: Since the Showa era, interior fittings have developed along with the prosperity of the home. In those days, curtains were simply used to cover windows, but the emphasis on personal taste and design gradually increased, and SUMINOE grew by responding to this trend. In today's Japan, however, people's budgets for interior spending are limited. Consumer spending on smartphones and games is increasing, but not much money to purchase interior fittings. We are also to blame as manufacturers of interior fittings. The entire industry should do more to promote the appeal of interior fittings and increase interest. In particular, the industry's ability to disseminate information is still weak, and I feel that we need to take initiatives to revitalize the home interior fittings sector.

Shibuya: When I was stationed in Singapore, I was struck by the fact that while the local people did not spend much money on fashion, they did invest quite a bit in their homes. Not only foreigners and the local rich who live in luxurious residences

called condominiums but also the general middle class living in public housing buy renovations and interior fittings and enjoy their own lifestyles. In particular, the younger generation tended to actively spend money on interior fittings.

Alternatively, there is not much of a habit of spending money on the home in Japan, and as President Nagata said, spreading interest in interior fittings is a major issue. How to revitalize the BtoC market for interior fittings is also an important theme for SUMINOE GROUP.

Promoting initiatives for outside directors to deepen their understanding of our business

Nagata: Next, I would like you to share your views on our governance.

Shibuya: I consider that active discussions are held at board meetings. In particular, outside directors provide insights from their areas of expertise, such as law and accounting, based on a deep understanding of SUMINOE's business management. In addition to the fact that Board of Directors meetings are a place where important matters for resolution are handled, I often see cases in which board members engage in in-depth discussions based on the matters reported.

Nagata: I am relieved by your positive view of the operation of our Board of Directors. However, I am aware that we face several problems. One limitation is that compiling the quarterly financial results announcements is slow, and the results are shared with the board members just before the meeting. We are currently reconstructing our core systems to address this issue.

However, I take pride in the fact that, as you pointed out, the composition of our outside directors is well balanced. We have a diverse group of people with a variety of backgrounds, including those with corporate management experience, lawyers, and accountants. They provide meaningful discussions based on their breadth of insights. Our outside directors frequently point out issues that we are not aware of from an external perspective.

At SUMINOE, we promote initiatives to enable outside directors to deepen their understanding of our business. In FY2024, we held a board meeting at Suminoe Techno's Nara Factory and visited the plant. For FY2025, we have shared our future direction through our Group Philosophy training video and an internal exhibition by the Automotive Textiles Business Headquarters. We are also planning to hold a board meeting and site visit at our office in Matsubara, Osaka, Japan. We intend to continue to provide opportunities to visit our plants and offices as often as possible to deepen the understanding of outside directors about our business.

Shibuya: Regarding my duties over the past year, there was an accident that caused a small fire at Suminoe Techno's Nara Factory in November 2023. During that time, I mentioned at the board meeting that there is always a risk of accidents at production sites. We discussed how to respond to a disaster at a worksite and how to prevent disasters. In terms of operational safety, we will strive to monitor future initiatives instead of holding ad hoc discussions.

Nagata: As you have highlighted, worksite safety is our top management priority, and we will work in earnest to address this issue based on your comments.

An example of monitoring carried out by outside directors is the return profitability our U.S. subsidiary. We have faced various challenges in this process, but I believe that in the end, making the necessary management decisions after exchanging many opinions has led to the current result.



Changing employee attitudes and promoting diversity

Nagata: Shibuya-san, over the past year, you have deepened your understanding of our business execution sites by engaging in dialog with SUMINOE GROUP employees. Please share with us the insights gained through these initiatives.

Shibuya: Yes, while being in frequent contact with President Nagata and other directors as an outside director, I have also tried to engage in dialog with SUMINOE GROUP employees to understand their awareness and the corporate culture of the Group.

I felt that many of the employees were serious and sincere in their work. In fact, the phrase "There are many good people" made an impression on me, indicating that a warm atmosphere prevailed throughout the company.

However, when you listen carefully to the employees, I feel that although they take pride in their work, there is room for improvement in terms of loyalty to the organization. In particular, some employees feel a sense of limitation in terms of career development, and I believe that addressing this issue is important. Additionally, I felt that it was important to promote initiatives that would enable employees to become more aware of the strengths and appeal of the SUMINOE GROUP.

Nagata: As mentioned, our employees tend to be serious and reserved in corporate culture. Many of our employees work hard within a certain range. However, they may lack the attitude to take on work voluntarily and aggressively.

Since I became President, I have been working not only on external IR but also on spreading the Group Philosophy among employees to change this situation. I hope that our employees will once again recognize the strengths and characteristics of the Group, take renewed pride in being a pioneer in the interior industry, and work with a sense of pride.

In addition to formulating the Group Philosophy, I am gradually reforming our personnel and remuneration systems. I am developing a system that rewards the efforts of those who have worked hard by increasing their remuneration. Through these reforms, I hope to grow the company further while preserving the good traditions of the SUMINOE GROUP.

Shibuya: Transforming a company requires the efforts of everyone, from President Nagata and other members of senior management to segment heads, general managers, and the manager class. The reality is that unless top management changes, it will be difficult for lower levels to change. Changing one's mindset is not an easy task. It requires company-wide initiatives. In this respect, the decision to rename the company was a significant move, and I believe it will be a turning point for the company. I hope this will change the mindset of employees,



who are important stakeholders, and to further the growth of the company.

Nagata: I believe that diversity and inclusion as a way to use human resources is also a major issue for the SUMINOE GROUP.

Shibuya: I believe that appointing female employees to management positions should be a priority. As all companies strive to achieve their goals, the SUMINOE GROUP is also required to work consciously. However, caution is required because appointing women without a sufficient support system may not benefit the individual and the company.

In the dialog I had with the employees, a comment was made: "Innovation comes from diverse human resources." This made me realize once again that it is essential to appoint diverse human resources to promote innovation. I also believe that unconscious bias affects the stereotypical view common in Japanese society that women do not aspire to high-level positions. In fact, there are quite a few women who want to actively advance their careers, and I think it is important to create an environment in which these women can grow.

Nagata: I would be glad if you could give us some advice on encouraging women to actively participate in the workplace based on your experience.

Shibuya: In terms of developing and appointing female managers, I think it would be a good idea to start in their areas of expertise or experience. The person would bear a heavy burden to be appointed to a management position in an area in which she has no experience. Although I believe that people with skills should be given the opportunity to take on challenges regardless of their age, skills as frontline workers and managers are two different things. Both these skills are essential.

Since the SUMINOE GROUP mainly conducts business in the BtoB area, I think the lack of opportunities to interact with people outside the company is an issue. In my experience in the retail industry, we are in contact with customers on a daily basis, through which we often notice trends and changes in society. However, if you only work within the company, you may not have the opportunity to notice such things. I believe that increased contact with external training institutions and business partners can effectively broaden an individual's perspective.

Nagata: In terms of diversity, I personally do not think that every employee, regardless of gender, should aspire to a high-level position. Each employee must have their own values and circumstances in their life cycle. In this situation, I believe it is natural for the SUMINOE GROUP to create an environment that allows employees who want to build a career to play an active role in the workplace.

The results of the Questionnaire Survey on Workplace Comfort (In-house Employees' Opinion Survey) revealed that the percentage of female employees who want to improve their careers is low. I believe it is important to first create a role model that women can aspire to. In fact, we appointed a female deputy manager of the R&D Center for the Automotive Textiles business, who plays an important role in the design and planning. We also appointed three women as corporate auditors for a subsidiary in Japan for the first time.

Additionally, we are promoting the early appointment of young employees, and a culture of respect for diversity is gradually taking root throughout the Group. I believe it is the job of a company manager to create an environment where employees can think, "I might be able to make it there, too," by showing how women and young people play an active role in the workplace.

Further overseas expansion and improving the revenues of the interior fittings business

Nagata: The SUMINOE GROUP is pursuing steady change for the future under our medium- to long-term management targets, SUMINOE GROUP WAY2022-2024-2027. Can you please share your opinion on this matter?

Shibuya: First of all, I feel that it will not be easy to grow in the domestic market unless we take market share from other companies or bring in new elements from outside. This is a challenge faced by every industry. The key point is to find new sources of revenue and growth opportunities.

In this regard, the SUMINOE GROUP should pursue further development of overseas markets. Based on the fact that SUMINOE has 13 overseas Group companies and about 40% of its employees work overseas, we can say that it is already a company operating globally. Furthermore, they are in a growth phase, with the U.S. subsidiary taking the lead. Of course, overseas businesses face various challenges, and business expansion in overseas markets will become increasingly important for further growth.

Nagata: Our sales are 60% from the Automotive Textiles and Traffic Facilities segment, 35% from the Interior Fittings segment, and 5% from the Functional Materials segment. As we aim for growth in the future, revenue expansion in the Automotive Textiles and Traffic Facilities segment is key to the growth. In view of this, the segment has strong relationships with Japanese automakers and is making an ongoing effort in doing business with foreign automakers.

Meanwhile, the Interior Fittings segment, which is our original business, has faced sluggish operating margins of around 1% in the past, and we think improving this is our immediate issue. Although our operating margin recently increased to 3%, we would like to see it rise to at least 5%. If this improvement is achieved, we can expect to see a consolidated operating margin of 5% or higher, as well as an awareness among employees working in the Interior Fittings segment that their business is also generating profits, which will lead to better treatment for employees at our subsidiaries. In addition to expanding the scale of the Automotive Textiles and Traffic Facilities segment, it will be essential to steer business management with a focus on improving the revenue of the Interior Fittings segment.

Shibuya: With a total of approximately 30 Group companies, including 13 located overseas and the rest in Japan, how do you perceive the synergies across the entire Group? In particular, I want to know how the collaboration between human resources and business has been effective, or about the possibility of

strengthening it.

Nagata: At the SUMINOE GROUP, collaboration between the Automotive Textiles and Traffic Facilities segment and Interior Fittings and Functional Materials segment has been progressing. In addition to Interior Fittings segment, the business of designing indoor spaces has been expanding. Furthermore, there is increasing collaboration between Kansai Laboratory, which conducts product performance and consumption science evaluations, and a Group company that sells testing equipment, making it possible to procure testing equipment within the Group. The strength of being able to conduct testing within the Group is also beneficial to product development, through which I believe we can create new value.

Communicating management targets to employees and strengthening collaboration with senior management

Nagata: How do you assess our progress toward our medium- to long-term management targets?

Shibuya: I value the fact that the Group is making steady progress in its initiatives to increase net sales and operating income. The future will involve how to achieve the profit targets. My concern is that the Group still has some issues with regard to how well targets are communicated to the general employees. My impression from the dialog I have had with the Group's employees is that although the general managers have fully understood the targets and are working to achieve them, the targets have not been fully communicated to the general employees. An important point to consider is how to link the Company's targets with each employee's. I believe it is necessary to ensure that targets are communicated to employees and to continue to find ways and make efforts to link targets with employees' individual targets.

Nagata: I sincerely accept your comments. Currently, the SUMINOE GROUP is focusing on communication between senior management and employees and is working to ensure that our employees have a firm grasp of the Group Philosophy and that they can reflect it in their daily work. One initiative is Group Philosophy training. In the first session, I explained my views on the Philosophy in the President's message. At the upcoming second session, the heads of business headquarters, operating officers and general managers, and I will hold a three-way roundtable discussion on management targets, the Group Philosophy, and the mission of each business headquarters, which will be distributed online to promote understanding among employees. This is the first time we have tried something like this, but I believe that by listening to the frank opinions and real feelings of senior management in the roundtable discussion, in addition to the internal newsletters and messages to employees, employees will be able to understand management targets and directly feel what is expected of them. I believe that incorporating the Group Philosophy and the mission of the business headquarters and departments into each employee's targets will lead to changes in behavior and achievement of targets for the entire organization. Since 2018, we have been implementing an initiative called "Management by walking around." Under this initiative, senior management visits offices and factories to communicate directly with employees at the sites. Meetings are held at the sites, and opportunities to deepen relationships with employees. During overseas visits, we emphasize interaction with locally hired employees. Through these initiatives, we aim to build a relationship of trust with each employee and strengthen collaboration throughout the company.

Shibuya: After having been stationed overseas, I know how important it is to communicate with overseas employees. It is very meaningful in terms of increasing engagement of local employees when the president and directors visit overseas sites in person and value local interaction.

Growth strategies for the future and environmental challenges

Nagata: Lastly, can you share with us your opinion on the SUMINOE GROUP's long-term outlook?

Shibuya: It is not easy to envision the future 10 or 20 years from now, but the strength of the SUMINOE GROUP is that it has transformed itself according to market demands in infrastructure-related areas, such as the Interior Fittings segment and the Traffic Facilities segment. Environmental considerations and sustainability will become increasingly important as mobility changes. The SUMINOE GROUP is promoting the development of new environmentally friendly materials, which should also be a strength of the Group. As environmental protection measures, including waste disposal, are required, responding quickly to the expectations of society will be key to future growth.

Nagata: In our medium- to long-term management targets, we considered what we should do in the future, what we should maintain, and what we should abandon under what kind of strategy by backcasting from our vision of 2050 to achieve sustainable management. Employees in their late 20s to 40s, who we expect will lead the next generation, discussed what kind of company they want SUMINOE to be in 2050. Based on each team's presentation of what they want to achieve in the future, we will consider how to link our company's technology (seeds) with customer needs to create innovation within the organization. When I joined the company, our net sales were approximately 30 billion yen. It took 42 years to exceed 100 billion yen. To increase net sales to 150 billion yen or 200 billion yen in the future, we will need to grow the Functional Materials and Interior Fittings segment further and create new business pillars. We will deepen discussions within the company to create new business pillars through M&A or pursue growth through other channels.



Shibuya: As the SUMINOE GROUP engages in R&D in various areas, I believe that groundbreaking elemental technologies will emerge. I look forward to seeing how they lead to future growth. I think the phrase "bringing innovation to all kinds of spaces" contains many possibilities. This phrase makes it possible to bring innovation to various spaces in the future. This phrase indicates the potential of the SUMINOE GROUP to address challenges in various business areas.

Nagata: Thank you for sharing your opinions.



Introduction of directors and corporate auditors

Skill	Skill definition
General management	Skill to lead business reform from a long-term perspective based on extensive experience in corporate management and business headquarters to realize the Group Philosophy
Overseas business	Skill to lead corporate management strategies from a global perspective based on management experience in growing overseas business and extensive knowledge of economic conditions and cultures within the Group, which operates globally.
Sales and marketing	Skill to identify growth areas and lead business reform based on extensive knowledge, experience, and expertise in sales and marketing, as well as in-depth knowledge of sales matters and understanding customers' needs, the Group's capital, and seeds
Sustainability	Skill to understand society's demands on companies and lead sustainability management as an expert in broad sustainability areas, such as climate change, social issues, and governance, or based on extensive experience in the corporate sustainability field
Production technology	Skill to lead innovations in production operations and technologies based on extensive knowledge and experience in production and development, the ability to enhance intellectual property and technological capital, and "KKR + A," our basic development philosophy.
Finance and accounting	Skills to evaluate the profitability of businesses, achieve high capital efficiency by allocating managerial resources and making growth investments (including M&As), strengthen our financial base, and lead financial strategies as a certified public accountant specializing in corporate management or based on extensive knowledge and experience in accounting, tax affairs, and finance.
Legal affairs and risk management	Skill to make decisions that are legal and beneficial to the Company with respect to regulations relating to our business, compliance, risk management, and the development and operation of internal controls, as a licensed professional in legal affairs, risk management, and compliance, or based on extensive experience in corporate legal and risk areas
IT & digital	Skills to improve operations, promote business reform, strengthen management base and cost competitiveness, recognize issues facing companies and society, and present solutions based on broad knowledge and experience in IT and digital transformation (DX)

Skill Matrix

As of August 30, 2024

Name	Tenure	Skills the Company expects from directors and corporate auditors								Reason for appointment	
		General management	Overseas business	Sales and marketing	Sustainability	Production technology	Finance and accounting	Legal affairs and risk management	IT & digital		
Directors	1 President and Representative Director Tepei Nagata	7 years	●	●	●		●				He has promoted CSR, compiled management plans, and served in charge of IR. He has also served as president of a core Group company of the Interior Fittings Business Headquarters and has a wealth of experience in working in the Functional Materials Business Headquarters.
	2 Managing Director and Representative Director Hiroaki Usugi	4 years	●					●	●	●	He was appointed the General Manager of the Accounting Department and was responsible for accounting. He has abundant business experience in the field of accounting.
	3 Director Norihisa Murase	2 years	●		●	●			●		He serves as the president of a core Group company of the Interior Fittings Business Headquarters and has extensive business experience in this business segment.
	4 Director Kazuaki Suwa	-	●	●	●						At the Automotive Textiles Business Headquarters, he serves as a manager in two major overseas subsidiaries and has extensive overseas service and work experience.
	5 Outside Director Independent Director Haruo Shimizu	8 years	●	●	●						We have appointed him in the hope that he will provide valuable opinions and suggestions that would contribute to further improving the corporate governance of the Company based on his extensive experience and insights gained as CEO of EXEDY Corporation.
	6 Outside Director Independent Director Kohei Nomura	6 years				●			●		We have appointed him in the hope that he will appropriately perform his duties as outside director from an objective standpoint, based on his extensive legal knowledge that he has accumulated through many years of practicing law, and by leveraging his excellent insight and wide-ranging experience as an outside director and auditor of other companies.
	7 Outside Director Independent Director Yumiko Oida	3 years						●	●		We have appointed her in the hope that she will contribute to further improving the corporate governance of the Company based on her extensive knowledge and expertise in accounting and tax affairs from many years as a certified public accountant and a licensed tax accountant, as well as her management experience in the company she belongs to and her broad insight as an outside director.
	8 Outside Director Yuko Shibuya	1 year		●	●	●					We have appointed her in the hope that she will contribute to further improving the corporate governance of the Company based on her extensive and broad insights as an executive officer of Takashimaya Co., Ltd.
Corporate Auditors	9 Full-time Corporate Auditor Kiyokazu Ichikawa	4 years		●		●	●	●			He has many years of experience in production management at the Group's flagship factory and ample knowledge acquired through his experience in managing and overseeing major overseas Group companies.
	10 Outside Corporate Auditor Takafumi Katayama	4 years	●	●	●						We have appointed him in the hope that he will bring his extensive experience and insight into the textile industry gained at Marubeni Corporation to our audit system.
	11 Outside Corporate Auditor Hidesuke Amachi	-	●		●				●		We have appointed him in the hope that he will bring his extensive experience and insights gained at KANEKA CORPORATION and his management experience as President of CEMEDINE CO., LTD. to our audit system.

*Please note that the above matrix does not list all of the skills, knowledge, and experience possessed by each individual.

Each FY ended May 31

	2014	2015	2016	2017		2018	2019	2020	2021	2022	2023	2024
Operating results												
Net sales (Million yen)	88,219	91,182	97,529	96,038		97,872	98,617	91,512	79,702	81,713	94,828	103,478
Operating income (Million yen)	2,809	3,101	2,553	1,297		2,247	3,118	1,557	1,049	110	1,294	3,300
Operating margin (%)	3.2	3.4	2.6	1.4		2.3	3.2	1.7	1.3	0.1	1.4	3.2
Ordinary income (Million yen)	3,401	3,729	2,883	1,364		2,358	2,956	1,323	1,211	950	1,575	3,668
Profit attributable to owners of parent (Million yen)	1,968	1,815	245	26		1,083	467	142	409	281	320	874
EBITDA (Million yen)	4,449	4,964	4,447	2,917		3,973	4,888	3,588	3,028	2,026	3,524	5,557
Cash flows												
Cash flows from operating activities (Million yen)	4,479	3,701	1,453	983		3,519	4,760	5,901	4,167	375	1,803	7,450
Cash flows from investing activities (Million yen)	-1,221	-1,231	-3,211	-2,170		-244	-1,448	-1,536	-754	-1,191	-2,834	-2,323
Free cash flow (Million yen)	3,257	2,470	-1,757	-1,186		3,274	3,311	4,365	3,413	-816	-1,030	5,127
Cash flows from financing activities (Million yen)	-895	-2,756	119	354		-843	-4,964	-1,702	-3,174	-2,074	-52	-4,204
Financial position												
Total assets (Million yen)	85,841	90,126	86,878	90,254		92,182	87,975	86,272	83,669	84,801	88,151	92,199
Interest-bearing debts (Million yen)	15,501	15,134	16,959	18,946		19,396	18,548	20,184	18,689	18,999	21,280	18,090
Shareholders' equity (Million yen)	21,552	22,860	22,614	22,111		22,664	20,560	18,641	18,878	19,711	19,458	21,431
Shareholders' equity ratio (%)	25.1	25.4	26.0	24.5		24.6	23.4	21.6	22.6	23.2	22.1	23.2
Per share data*1												
Profit per share (EPS) (Yen)	26.09	24.07	3.25	3.50		143.66	65.36	21.88	64.84	44.44	50.55	132.22
Book-value per share (Yen)	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	4,742.69
Annual dividend per share (Yen)	6	6	7	7		—	70	50	35	70	55	70
Payout ratio (%)	23.0	24.9	215.4	—		48.7	107.1	228.5	54.0	157.5	108.8	52.9
Other data												
Return on equity (ROE) (%)	6.6	5.5	0.7	0.1		3.2	1.4	0.5	1.5	1.0	1.1	2.9
Capital expenditure*2 (Million yen)	1,502	1,422	820	2,722		1,171	1,617	3,516	2,677	4,636	2,441	3,875
Depreciation (Million yen)	1,640	1,862	1,893	1,620		1,725	1,769	2,030	1,979	1,915	2,229	2,257
R&D expenses (Million yen)	371	380	348	289		268	254	1,117	948	984	1,073	1,060
Number of employees	2,554	2,604	2,786	2,830		2,850	2,899	2,822	2,724	2,640	2,779	2,812

*1 The Company consolidated its common shares on a 10-for-1 basis effective December 1, 2017.

Considering the impact of the share consolidation, 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.
- 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.

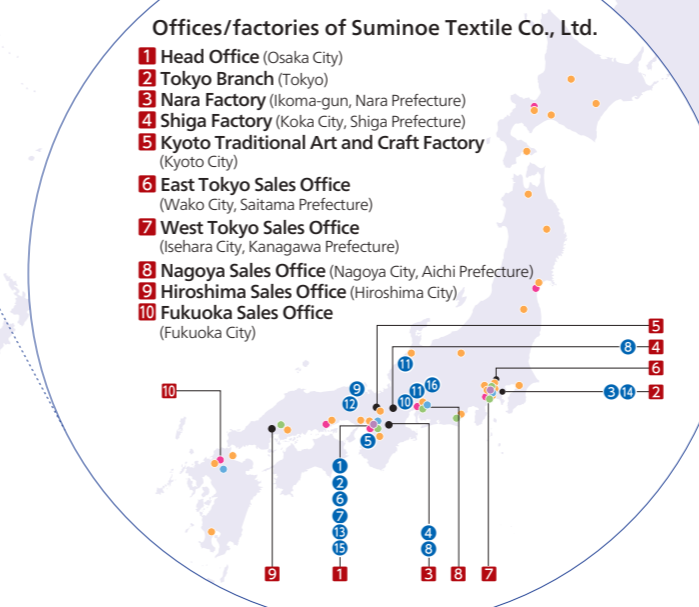
Mexico

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

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

Group companies in Japan (head office)

- 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 Kansai Laboratory Co., Ltd. (Matsubara City, Osaka Prefecture)
Testing and inspection services
- 6 Suminoe Teijin Techno Co., Ltd. (Osaka City)
Production and sales of automotive textiles, mainly seat covering materials
- 7 Marunaka Soei Co., Ltd. (Osaka City)
Wholesale of traffic facility textiles
- 8 Suminoe Techno Co., Ltd. (Osaka City)
Production and processing of carpets, continuous fiber yarn (including recycled), and needle punch carpets
Shiga Factory (Koka City, Shiga Prefecture)
Nara Factory (Ikoma-gun, Nara Prefecture)
- 9 TANGO TEXTILE Co., Ltd. (Kyotango City, Kyoto Prefecture)
Production and sales of drop curtains, hand-woven carpets, hooked rugs, and other rugs
- 10 Teijin Teclath Ltd. (Inazawa City, Aichi Prefecture)
Production and sales of automotive seat covering materials, chair upholstery fabrics, and clothing textiles
- 11 Owari Seisen Co., Ltd. (Aichi Prefecture)
Dyeing and finishing of automotive seat covering materials and interior fabrics
Head Office (Ichinomiya City, Aichi Prefecture)
Ishikawa Factory (Nomi City, Ishikawa Prefecture)
- 12 Sewing Hyogo Co., Ltd. (Tamba City, Hyogo Prefecture)
Sewing and processing of fabric products
- 13 INTEC CO., LTD. (Osaka City)
Development, design, and sales of test equipment and measuring instruments
- 14 CPO Co., Ltd. (Tokyo)
Interior design, construction and supervision, manufacture and sale of custom-made furniture
- 15 PRETERIOR-TEXTILE Inc. (Osaka City)
Interior finish work and sales of interior options
- 16 Seki Textile Co., Ltd. (Seki City, Gifu Prefecture)
Production and sales of textiles for traffic facilities and automobiles

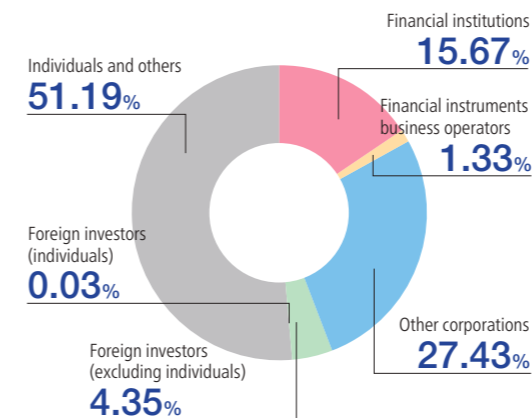


- Sales offices of each business**
- Interior Fittings
 - Automotive Textiles
 - Traffic Facilities
 - Functional Materials
 - SUMINOE SHOWROOM

Corporate Summary (As of May 31, 2024)

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	Number of shares per unit	100 shares
Incorporated	December 25, 1913 Suminoe Textile Joint-Stock Company	Stock listing	Prime Market of the Tokyo Stock Exchange
Organizational change	December 26, 1930 Suminoe Textile Co., Ltd.	Stock code	3501
Capital	¥9,554,000,000	Shareholder registry administrator	Mizuho Trust & Banking Co., Ltd.
Number of employees	258 (Consolidated group companies: 2,812)	Accounting auditor	KPMG AZSA LLC
URL	https://suminoe.co.jp/en/		
Number of consolidated subsidiaries	28		
Number of equity-method affiliates	2		

Shareholder Distribution



Authorized issued shares

Authorized issued shares	30,000,000
Issued shares	7,682,162
Number of shareholders	10,608

Major Shareholders

Name	Number of shares held (Thousands)	Shareholding ratio (%)
Takashimaya Co., Ltd.	924	13.69
Nippon Life Insurance Company	476	7.06
Marubeni Corporation	366	5.43
Hayashi Telempu Holdings Corporation	233	3.45
The Master Trust Bank of Japan, Ltd. (as trustee for Retirement Benefit Trust of UNITIKA LTD.)	178	2.65
Suminoe Textile Employee Shareholding Association	147	2.18
Suminoe Textile Kyoeikai	144	2.15
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	133	1.98
Toray Industries, Inc.	129	1.92
The Master Trust Bank of Japan, Ltd. (Trust account)	117	1.74

*1. The numbers of shares held are rounded down to the nearest thousand.
*2. The Company holds treasury stock (926,816 shares) but is not included in the above list of major shareholders. Treasury stock is excluded from the calculation of shareholding ratios.