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universal design (UD).

Integrated Report 2025 SUMINOE GROUP



Bringing innovation to all kinds of spaces.

Group Philosophy

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.

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.

MISSION

Our mission to fulfill

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

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.

In editing this Report, we used the "International Integrated Reporting Framework" by the IFRS Foundation and the "Guidance for Collaborative Value Creation 2.0" by the Ministry of Economy, Trade and Industry (METI) of Japan as reference.

Scope of the Report

SUMINOE Co., Ltd. and its consolidated subsidiaries in Japan and overseas; however, the scope varies according to the items reported.

Period Covered

Fiscal year 2025 (From June 2024 to May 2025)
Some activities undertaken outside the above period are included.

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.

Information Disclosure System

| Financial Information | Non-financial Information |
|--|---|
| Integrated Report | |
| Securities Report (Japanese only) | |
| <ul style="list-style-type: none"> ● Flash report of financial results and materials for financial results briefings ● Business report (Japanese only) ● IR information <p style="text-align: right;">https://suminoe.co.jp/en/ir/</p> | <ul style="list-style-type: none"> ● Corporate Governance Report (Japanese only) ● Sustainability <p style="text-align: right;">https://suminoe.co.jp/en/csr/</p> |

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Supplementary Note

Effective December 2, 2024, the Company changed its trade name from "Suminoe Textile Co., Ltd." to "SUMINOE Co., Ltd." and changed the name of its subsidiary SUMINOE Co., Ltd. to "SUMINOE Interior Products Co., Ltd." Basically, the new trade names are used in this Report. However, the previous trade names are used in some portions that contain information on matters in past fiscal years and quotations from external materials.

At a Glance

SUMINOE GROUP in Numbers



Founded
1883

Capital (As of May 31, 2025)

9,554 million yen

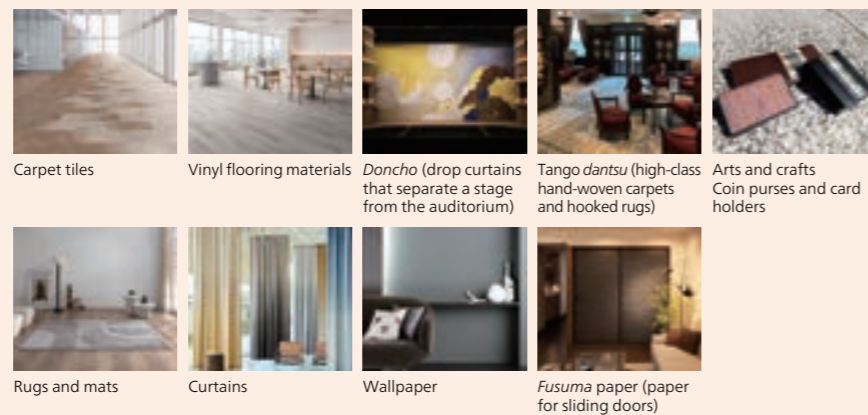


Group companies in Japan
15
Overseas Group companies
13

Business Summary

Interior Fittings

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.



Automotive Textiles and Traffic Facilities

The Automotive Textiles business is engaged in development, production and sales of a total line of automotive interior materials, from floors to ceilings, including ceiling materials, seat covering materials, car mats, and floor carpets.

The Traffic Facilities business is engaged in production and sales of interior materials for trains, buses and other public transportation facilities, such as seat covering materials, seat cushion materials, curtains, wall coverings, and flooring materials.



Functional Materials

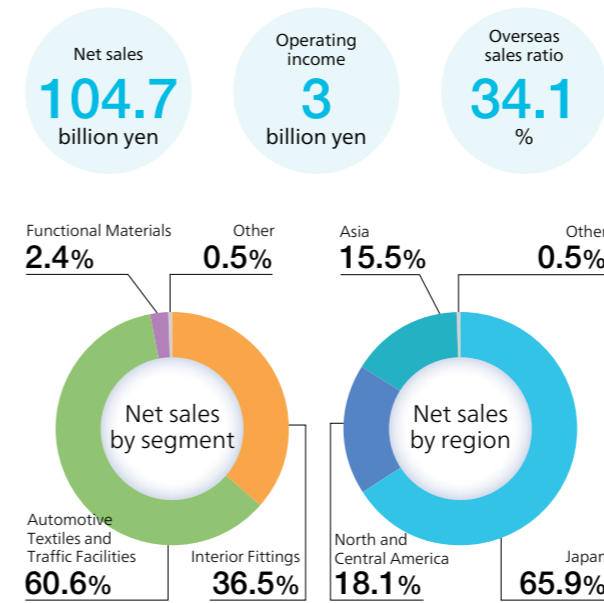
Moving beyond its conventional business segments, the Group has been active in advancing into new business fields, handling a wide range of products, including textiles, non-textiles, interior materials, household appliances and food.

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, etc.

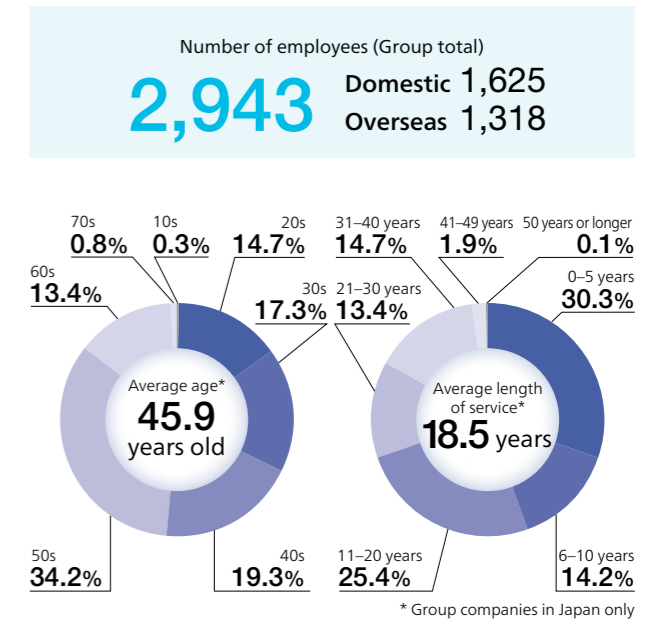


Net sales breakdown

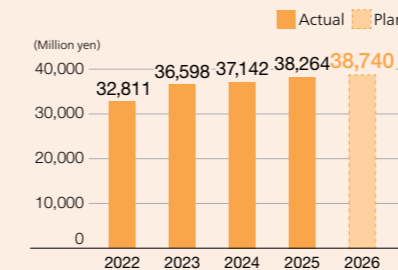
(Fiscal year ended May 31, 2025)



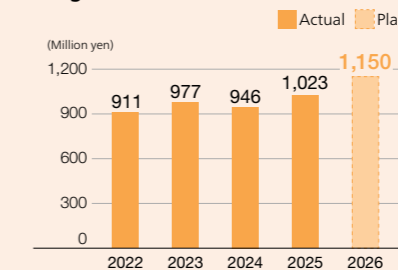
Employees (As of May 31, 2025)



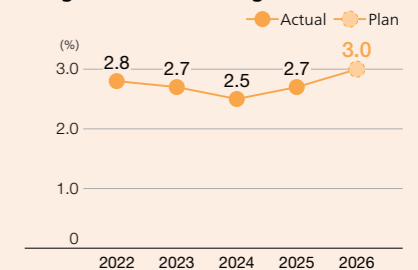
Net sales



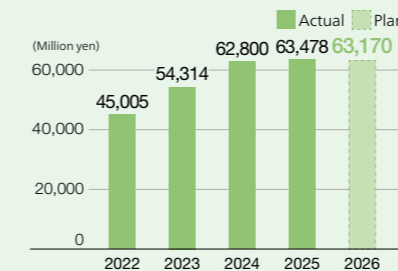
Segment income



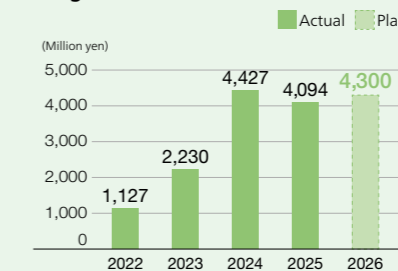
Segment income margin



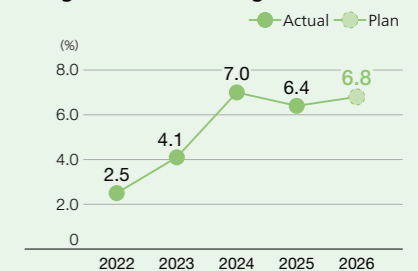
Net sales



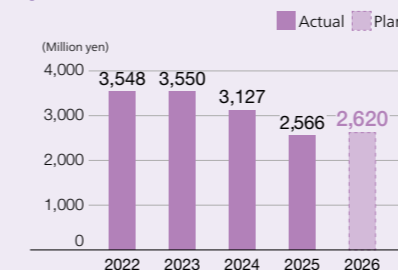
Segment income



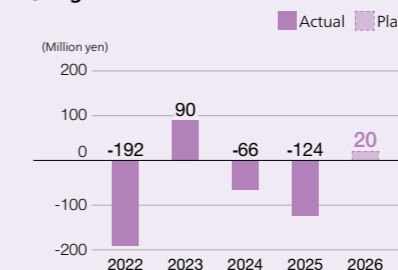
Segment income margin



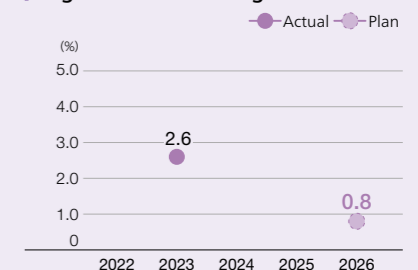
Net sales



Segment income



Segment income margin



Progress in Value Creation

SUMINOE 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 | 2024-2025 | |
|---|--|--|--|---|--|--|--|---|
| 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 History of the SUMINOE GROUP | 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 | |
| 1883 Murata Factory founded. Manufacture of handwoven carpets begins in Sumiyoshi, Osaka. 1892 The Company's first patent obtained for carpet weaving, "Yamato-ori." | 1903 Sumiyoshi Factory with full-scale weaving facilities established. 1913 Suminoe Textile Joint-Stock Company established. 1916 Manufacture of carpets using power looms begins. | 1930 Suminoe Textile Co., Ltd. established. 1937 Kawachi Factory established, where woolen spinning begins. 1949 Shares listed on the Tokyo, Osaka, and Kyoto stock exchanges. | 1954 First to introduce to Japan a tufting carpet machine from the U.S. 1971 Nara Factory (now Nara Factory of Suminoe Techno Co., Ltd.) established, and Sumiyoshi Factory closed. | 1987 Shiga Factory established. 1994 T.C.H. Suminoe Co., Ltd., the Company's first overseas base, established as a joint venture in Thailand. 1998 Suminoe Textile Group "SUMINOE Environmental Declaration" and "KKR+A" announced. | 2003 Suminoe Textile of America Corporation established in the U.S. 2005 SPM Automotive Textile Co., Ltd. established as a joint venture in China. 2013 Suminoe Textile de Mexico, S.A. de C.V. established in Mexico. 2015 Bondtex, Inc. in the U.S. becomes a subsidiary. | 2020 CPO Co., Ltd. becomes a subsidiary. 2022 PRETERIOR-TEXTILE Inc. becomes a subsidiary. Seki Textile Co., Ltd. becomes a subsidiary. Reorganization of the Nara Factory completed. 2023 Group Philosophy as well as the Group's unified logo and tagline announced. | 2024 Satisfies the continued listing criteria for the Prime Market. Synthetic leather factory newly established at Suminoe Textile de Mexico, S.A. de C.V. Trade names of Suminoe Textile Co., Ltd. and the Company's subsidiary SUMINOE Co., Ltd. changed. 2025 Begins to deliver floor carpets to a major foreign automobile manufacturer in the U.S. | |

1883

2025

Value Offered by the Group

1891



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

1913



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

1957



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

1980



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

1998



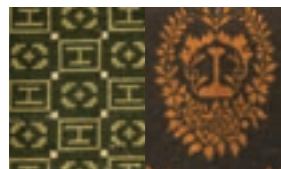
Development of around-the-clock deodorizing treatment technology
Suminoe Textile developed トリアプルフレッシュ® (TRIPLE FRESH) treatment technology, which deodorizes and decomposes substances that cause sick building syndrome and other malodorous substances generated daily in our environment on a 24-hour basis.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

2024



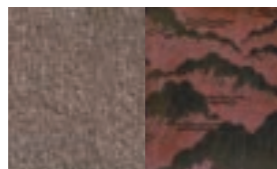
From Suminoe Textile to SUMINOE
Effective December 2, 2024, the Company changed its trade name from "Suminoe Textile Co., Ltd." to "SUMINOE Co., Ltd." and changed the name of its subsidiary SUMINOE Co., Ltd. to "SUMINOE Interior Products Co., Ltd." Aiming to promote activities for full-scale overseas expansion, as well as to improve the profitability and competitiveness of each business, including non-textile-related businesses, we will take on the challenge of creating new value for the world.

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
スミトロン® (SUMITRON), which uses polyester chips recycled from PET bottles as raw material at 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

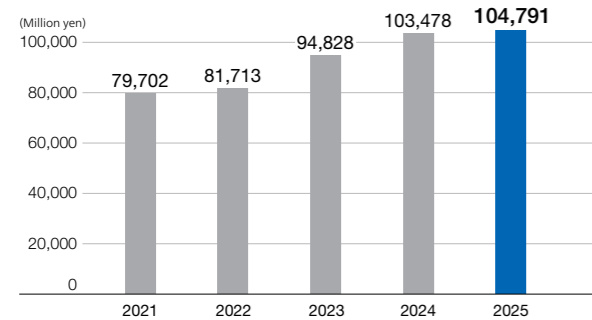


Passing on traditional techniques to future generations
While promoting business reforms, the SUMINOE GROUP maintains and cultivates hand-weaving techniques passed down through Japan's historical industry, thereby contributing to cultural preservation.

Financial Highlights

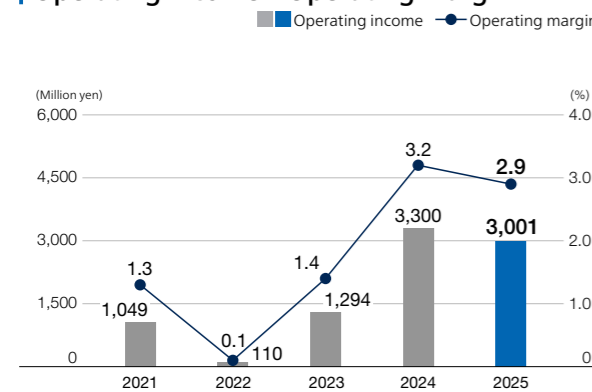
(For each FY ended May 31)

Net sales



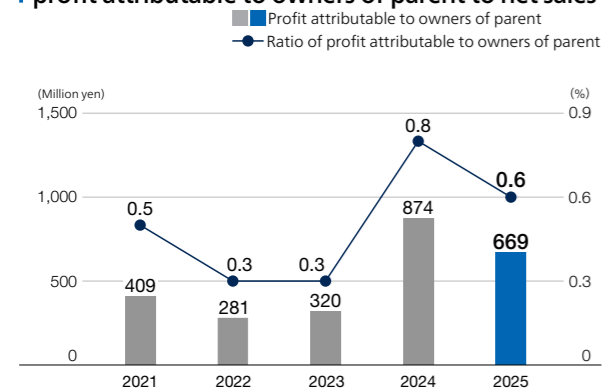
Net sales increased 1.3% year-on-year due to factors including an increase in sales volume of ordered automobile models in Japan, capture of demand arising from recovered production of railways and buses, and, in the Interior Fittings segment, an increase in the number of projects for which carpet tiles were delivered.

Operating income / Operating margin



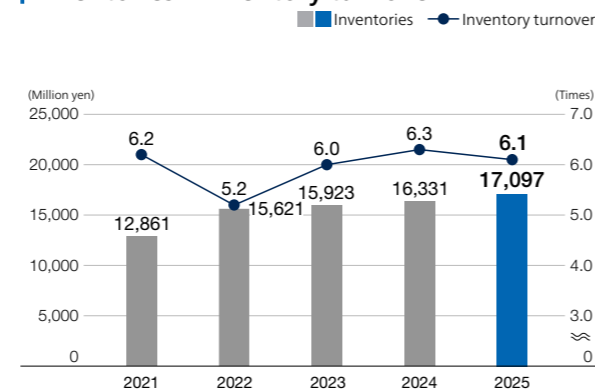
In addition to the prolonged surge in raw material and energy prices, factors such as decline in production efficiency due to fluctuations in production plans of automakers and the resulting increase in logistics costs led to a 9.0% decrease year-on-year.

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



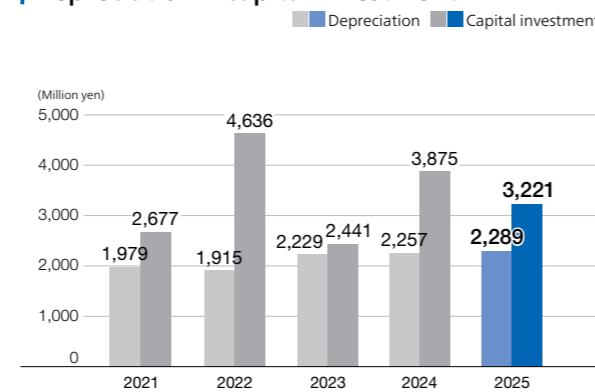
Recording of non-operating expenses, including foreign exchange loss of a consolidated subsidiary and system failure response costs, as well as the recording of "income taxes - deferred" associated with the reversal of deferred tax assets, resulted in a 23.4% decrease year-on-year.

Inventories / Inventory turnover



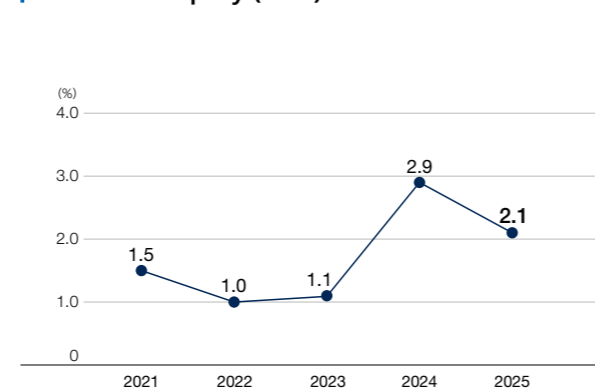
Inventories increased due to the impact of the launch of a new series mainly in the Interior Fittings segment and inventory adjustments related to ordered projects. We will continue efforts to optimize inventory levels.

Depreciation / Capital investment



Capital investment has been advanced at our new synthetic leather plant in Mexico since the fiscal year ended May 2023, and mass production commenced during the fiscal year under review. In the fiscal year ending May 2026, we plan to introduce synthetic leather finishing line equipment at our Thai subsidiary.

Return on equity (ROE)

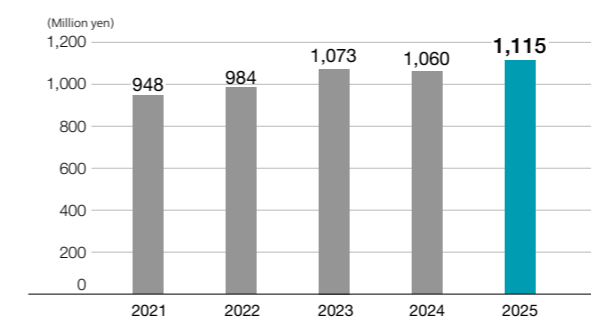


Although the target for the SGW STEP II period is an ROE of 8.0%, exceeding the cost of equity, ROE growth was sluggish during the fiscal year under review mainly due to weak performance at overseas sites in the Automotive Textiles business.

Non-financial Highlights

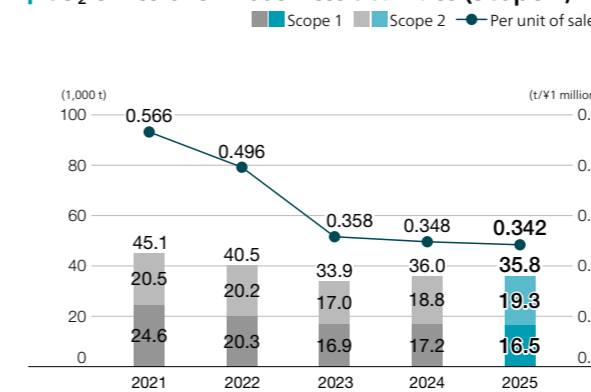
(For each FY ended May 31)

R&D expenses



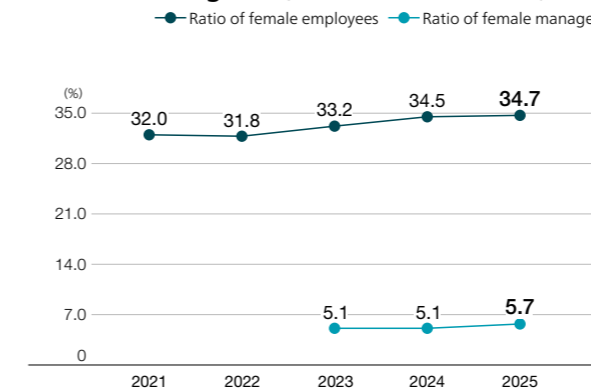
During the fiscal year under review, we focused on developing sustainable automotive interior materials with improved recyclability and using carbon-free materials, as well as developing smart textile-related technologies. Including these efforts, R&D expenses increased by 55 million yen year-on-year.

CO₂ emissions in business activities (Scope 1, 2)



Emissions per unit of sales was reduced by 1.7% from the previous fiscal year, achieving the 1.0% emission target set in Eco Challenge 2027 (p. 43). We will continue to strive to reduce CO₂ emissions.

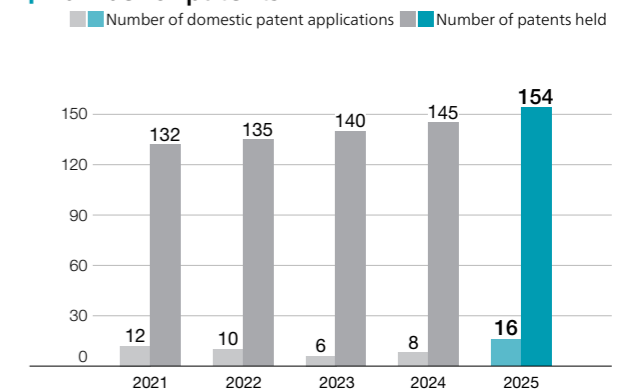
Ratio of female employees and ratio of female managers* (group companies in Japan only)



The ratio of female managers increased by 0.6 percentage points from the previous fiscal year to 5.7%. We are committed to promoting diversity as we view it as a source of corporate growth.

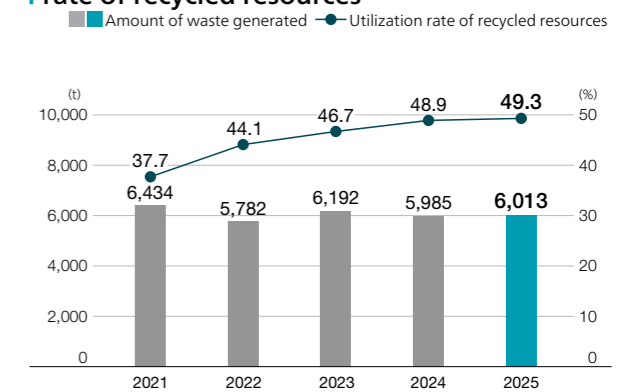
* Percentage of female employees whose positions correspond to section chiefs or higher
* The ratio of female managers has been calculated since the fiscal year ended May 2023.

Number of patents



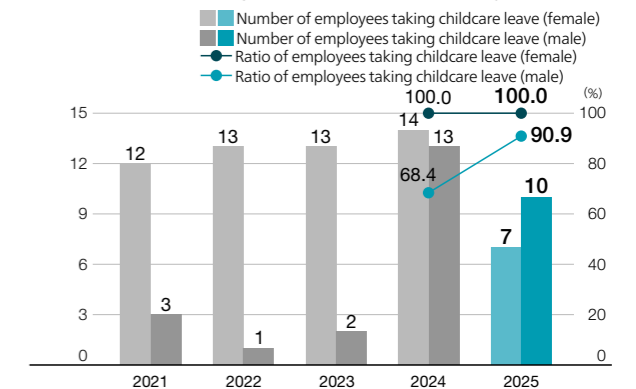
During the fiscal year under review, the number of patent applications doubled from the previous fiscal year to 16, driven by patent applications for new functional materials and household appliances. We will continue to pursue both technological development and intellectual property strategies, aiming to create new value.

Amount of waste generated and utilization rate of recycled resources



During the fiscal year under review, the amount of waste generated increased due to an increase in production volume resulting from the expansion of production facilities at overseas sites.

Number and ratio of employees taking childcare leave (group companies in Japan only)



Through the implementation of the Working Style Reform Action Plan 2024 (p. 52) and the internal dissemination of the "work-life balance support manual" (p. 52), we are working to foster a workplace culture and an environment in which both men and women can easily take childcare leave.

* The ratio of employees taking childcare leave has been calculated since the fiscal year ended May 2024.

Message from the President

SUMINOE GROUP aims to enhance our corporate value while raising the level of our true capabilities through integration of tradition and innovation.

Teppei Nagata

President

Purpose of changing the Company name

Striving to strengthen our brand and foster a sense of unity on a global basis

To achieve sustainable growth, the SUMINOE GROUP is accelerating global expansion and enhancing non-textile areas, thereby further intensifying its initiatives to transform itself. Symbolic among them was changing the Company name from "Suminoe Textile Co., Ltd." to "SUMINOE Co., Ltd." in December 2024.

We have taken great pride in our history of more than 140 years and the previous Company name "Suminoe Textile (住江織物 in Japanese)." On the other hand, as time went by, we became aware that Japanese people nowadays have some difficulty reading the kanji (Chinese characters) "住江 (Suminoe)." We also judged it necessary to use an integrated name that is correctly understood by everyone, as we will implement global strategies to promote the business without being limited to textiles in the future. We therefore decided to adopt the alphabetical expression "SUMINOE" instead of the above kanji characters.

This renaming is more than just a change in the Company's name; it represents a turning point of our brand strategy. The new name has been easily accepted in overseas countries, where the alphabetical expression "SUMINOE" has already been widespread. In the future, we will promote the Group's unified logo both in Japan and overseas and further increase its recognition in the global market.

Also, this change provides us with an opportunity to strengthen the sense of unity among our Group companies. The unified logo and business card design have encouraged Group employees to realize more strongly that they are working under the common banner of SUMINOE. A number of employees of Group companies in Japan and abroad commented that "Now we feel a closer distance between Group companies," which indicates that the sense of unity between the Company and its Group companies is becoming stronger than ever. I am confident that this sense of unity will serve as a driving force behind the creation of new value.

We decided to change the Company name in the hope of clarifying our attitude of continuing to create innovation while valuing tradition. Under the new banner of "SUMINOE," I will work together with employees and embrace many challenges to create new corporate value that lives up to stakeholder expectations through sustainable growth.

Review of the fiscal year ended May 31, 2025

Raising the level of our true capabilities in light of the results of the Medium- to Long-term Management Targets and challenges

Looking back on the performance of the fiscal year ended May 31, 2025, the Group's consolidated net sales exceeded

the previous fiscal year and amounted to 104.7 billion yen, securing the 100-billion-yen level for two years in a row. The Automotive Textiles and Traffic Facilities segment increased revenues due to the recovery of automobile sales as well as capture of growing demand for interior materials for railways and buses. The Interior Fittings segment made steady progress in business performance, driven by sales expansion of ECOS®, eco-friendly carpet tiles under the horizontal recycling system, and growth in the space design business. Meanwhile, the Functional Materials segment suffered a revenue decrease and deficit, affected by the decreased demand for fabric-coated heating products due to an unusually warm winter and by changes in the production system at a customer of floor materials for bathrooms. Consequently, improvement of the segment's revenues has remained as our significant task.

Regarding profits, operating income decreased from the previous fiscal year to 3 billion yen. Both ordinary income and profit attributable to owners of parent also decreased. These declines were due to the impact of fluctuations in production plans from automakers and the accompanying increase in logistics costs, as well as temporary factors such as the recording of foreign exchange loss of a consolidated subsidiary and system failure response costs. As a result, ROE stood at 2.1% and PBR at 0.5 times, remaining below the cost of equity. Sincerely accepting this fact, I recognize that our top priority is to improve profitability and capital efficiency, both of which are directly linked to enhancement of corporate value.

By the fiscal year ended May 31, 2024, the SUMINOE GROUP completed the "sowing the seed" process in the first three years (SGW STEP I) of the Medium- to Long-term Management Targets "SUMINOE GROUP WAY 2022-2024-2027." Now the Group has entered the latter three years (SGW STEP II), during which emphasis is placed on raising the level of our true capabilities. In the latter's first year, i.e. the fiscal year ended May 2025, we carried out various measures in line with the policy of SGW STEP II. However, affected by aforementioned factors, including fluctuations in the production plans of automakers that lasted longer than expected, both net sales and profits at each level did not reach the initial plan.

We are determined to simultaneously improve profitability and capital efficiency, taking into account the results of SGW STEP I and challenges, as well as the current external environment surrounding the Group.

The Group will certainly achieve sustainable growth and evolve its corporate value, based on the foundation we have established through our endeavors to pave the way for the next stage.

Priority themes of SGW STEP II

Strengthening the foundation for sustainable growth through improvement of profitability and capital efficiency

Message from the President

In order for the Group to achieve sustainable growth in the future, I believe it is essential to raise its corporate value to a level that exceeds the cost of equity by concurrently improving profitability and capital efficiency. To this end, we have specified the following five priority themes for SGW STEP II: improving profitability; enhancing non-textile areas; further strengthening global expansion; strengthening management base; and branding. By pursuing these themes, we aim to achieve an operating margin of 5.0%, an ROE of 8.0%, and a PBR of 1.0 times by the fiscal year ending May 31, 2027.

By the words “raising the level of our true capabilities” stated in SGW STEP II, we mean not merely improving existing businesses but also creating new value and embarking on the next growth stage. Given the market environment, which is undergoing major changes, we cannot sufficiently cope with the situation just by continuing conventional measures. We will lift our growth potential to a higher level by advancing into new business fields and reforming the structure of existing businesses.

To begin with, I would like to discuss “improving profitability.” In the Automotive Textiles and Traffic Facilities segment, at our bases in North and Central America we strengthened initiatives to better respond to foreign automobile manufacturers. We also started full-operation of the synthetic leather factory in Mexico. Additionally, we decided to introduce a finishing line for synthetic leather at the factory in Thailand so as to establish an efficient production system. Regarding interior materials for railways and buses, we have steadily responded to the demand arising from the need for disaster prevention and safety measures. As a result, a stable revenue base is being established in the Automotive Textiles and Traffic Facilities

segment as a whole.

The Interior Fittings segment has been promoting frontline personnel to be “more conscious of securing appropriate profit.” Small improvements in, for example, methods of making an estimate and price pass-through of raw material and energy costs can greatly contribute to profits. For this reason, we have focused intensively on setting fair prices suitable for our products and corporate value. Through these initiatives, the profit levels are being raised gradually.

Moreover, we have strengthened activities to expand sales of ECOS®, eco-friendly carpet tiles under the horizontal recycling system. We also offer new products for high-end customers, including “Epilogue,” a series of luxury made-to-order rugs imported from Europe, and “itten,” the Group’s original made-to-order rug collection. With these products, the Group has established a lineup of value-added products that feature both excellent design and environmental performance, so our market presence has been increasing. I believe that enhancing the lineup of these highly value-added products will directly lead to profitability improvement.

The Group’s sales are approximately 60% from the Automotive Textiles and Traffic Facilities segment and approximately 40% from the Interior Fittings segment and the Functional Materials segment. Recent years have seen significant market fluctuations in the automotive sector. We have therefore been reinforcing the revenue bases in areas where market fluctuations are smaller, such as interior fittings, trains and buses. Specifically, the Group has been working to strengthen high-value-added products and designs in the area of trains and to further expand our market share in the area of buses. In the Interior Fittings segment, we have steadily improved profitability by implementing value adding strategies. In the Functional Materials segment, returning to profitability has come within sight after moving out of the red. Going forward, the Group will improve profitability in these areas, which account for 40% of its sales, in order to ensure overall stability while maintaining growth of the Automotive Textiles business. In so doing, we will establish a system that is less susceptible to changes in the external environment.

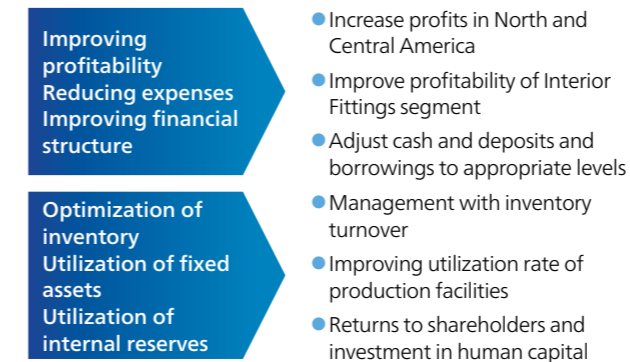
The next topic is “enhancing non-textile areas.” In the fiscal year ended May 31, 2024, the Group’s synthetic leather business already achieved net sales of 10 billion yen, which was originally targeted for fiscal year ending May 31, 2027. With the factory in Mexico serving as a growth driver, we will further expand the business by working to secure stable orders and improve production efficiency. In the Functional Materials segment, with the aim of breaking from conventional dependence on fabric-coated heating products, we are striving to enhance the lineup of filter products and develop new products for the household appliance category. Through these initiatives, we intend to develop the non-textile area into the next profit pillar.

In the meantime, “further strengthening global expansion” is also an important theme for us. In North and Central America, we have increased transactions with foreign automotive manufacturers. As part of our efforts to strengthen global expansion, we have formed a business alliance with the TESCA group, an automotive fabric manufacturer in France. This mutually complementary alliance has enabled the SUMINOE GROUP to utilize the TESCA group’s production facilities in the region where TESCA has its production base, and vice versa, TESCA to utilize the Group’s production facilities in the regions where TESCA has no production bases. Based on this alliance, we are promoting initiatives covering the whole world. This has allowed us to review the business structure, which was mainly targeted at Japanese automakers previously. While establishing a broader customer base, we aim to stabilize profitability and increase growth opportunities.

As for “strengthening management base,” we regard our ROE of 2.1% and PBR of 0.5 as a serious situation. To achieve an ROE of 8.0%, we will endeavor to improve profitability, make effective use of assets, and promote the use of financial leverage. In addition to initiatives such as reduction of cross shareholdings and optimization of inventory, we will ensure management with a strong focus on capital efficiency. Furthermore, regarding shareholder returns, we have raised our dividend payout ratio to 38% and aim to achieve an annual dividend of 70 yen (equivalent to 140 yen before the stock split) in the fiscal year ending May 31, 2027. In this manner, we are working to strengthen returns to shareholders and investors.

Initiatives to improve ROIC/ROE

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



The final topic is “branding.” As stated at the beginning, we changed the Company name to “SUMINOE” and globally unified its brand. Taking advantage of this brand enhancement, I would like to increase the Group’s presence in the global market and cultivate a corporate culture that allows each individual employee to embody the brand by acting with pride.

Through these initiatives for transformation, I hope to evolve the SUMINOE GROUP into an entity that creates a “new comfort standard.” The Group will strive to concurrently improve both profitability and capital efficiency by producing products that help reduce environmental impact and resolve social issues. By doing so, we will build corporate value that sustainably earns favorable reputations from shareholders and investors.

With regard to the issue of the U.S. tariffs, automotive manufacturers do not always have clear response policies, and its impact on automobile production and sales volume still remains uncertain. For this reason, we had no choice but to set numerical targets that are more conservative than those set at the time of SGW II formulation. Meanwhile, considering brisk sales of electric vehicles, there is a possibility that the actual results may surpass the current sales level. However, the rise of Chinese manufacturers is not negligible, which fuels fierce competition in the Asian market. In response to these circumstances, the Group focuses on expanding transactions with automotive manufacturers other than Japanese carmakers. We have strengthened proposal activities geared to European manufacturers, the “Big Three” American carmakers, and Asian automakers. Our production base in Mexico has already begun to receive orders from foreign automotive manufacturers and started mass production. Going forward, we will strive to obtain new growth opportunities while mitigating risks that may decrease orders.

Toward the creation of new value Advancing to the next growth stage, with technological innovation and environmental initiatives at the core

Looking back on the history of the Company, it has developed many technologies and products that were the first of their kind in Japan. On this front, however, I have to admit that there has been a slight sense of stagnation in recent years. Needless to say, the creation of new value is indispensable for achieving further growth. In addition to improving existing technologies, we need to develop new products and technologies looking ahead to the next step. Senior management is encouraging employees who will take the lead in the next generation to widen their perspectives both inside and outside the Company and to develop their curiosity. Having such a mindset will help employees expand their ideas while performing day-to-day tasks, heightening their motivation to take on challenges in the next stage. Toward “raising the level of our true capabilities,” which represents the basic approach of SGW STEP II, we will create new value by promoting technology development and business structure reforms without falling into complacency, thereby cultivating the next growth opportunity.

On the technology development front, we are putting our energies into the development of new technologies for the next generation by further evolving our core



Message from the President

technologies, including textile and knitting production technology that the Group has nurtured over many years, as well as coating, lamination and recycled polyester yarn-making. As represented by smart textiles and other highly functional materials, we have also strived to develop new applications, which will directly lead to solutions of social issues and greatly enlarge room for further growth of the Group. In response to the decreased demand for conventional fabric-coated heating products, the Functional Materials segment is promoting the development of new applications, making effective use of the factory in Vietnam, in order to achieve regrowth of the business.

Environmental initiatives are integral elements in tackling future challenges. The SUMINOE GROUP works on the development and sales expansion of products conducive to resource and energy conservation, such as the ECOS® series, eco-friendly carpet tiles under the horizontal recycling system. The Group will further expand these initiatives. I believe that our source of growth lies in pursuing technology development and environmental initiatives

in combination. We have established specific targets for reducing greenhouse gas emissions and increasing the utilization rate of recycled resources. By offering products and services that meet these targets, the Group will create social value and achieve profitability at the same time.

Also, initiatives to leverage synergies between businesses provide us with an important growth opportunity. We have created new added value through collaboration between different business segments. For instance, designs and sensibilities developed by the Interior Fittings segment are applied to automotive interior products, and techniques of Tango *dantsu* (high-class hand-woven carpets and hooked rugs) are applied to luxury cars. Moreover, initiatives are also under way to promote synergy with the space design business at offices and commercial facilities, aiming to demonstrate the strengths of the Group in all kinds of spaces.

I would also like to nurture a corporate culture that enables employees to unleash their own creativity by taking a backcasting approach from their desired future state in

employees learning to think and act autonomously. My mission is to further facilitate such positive attitudes of employees.

SGW STEP II upholds “Strengthening management base” as one of the priority themes. At the core of this theme is human resources strategies. I think that in the future we will need human resources equipped with the ability not just to receive instructions but to voice their own ideas and to play a leading role while involving others around them. As the Group is accelerating its global expansion, it is essential to secure human resources having foreign language skills and international experience. We are therefore striving to create an environment that enables diverse employees to realize their full potential by strengthening measures for human resources cultivation and recruitment.

In terms of creating an organizational culture, we are continuing initiatives that provide employees with opportunities to freely exchange views regardless of generations and departments to ensure that voices of frontline workers are reflected in management. I would like to nurture a business structure that can respond appropriately to the age of rapid change by building a flexible and highly creative organization while valuing diverse opinions and ideas of employees.

The Company changed its trade name from “Suminoe Textile Co., Ltd.” to “SUMINOE Co., Ltd.,” which marked a new step toward increasing its name recognition in the global market. To succeed in strengthening our brand, it is vital that each and every employee embody the brand with pride. I consider it important to embed the brand not simply as a name but as a sense of value shared by employees so that all Group employees will unite under the banner of SUMINOE.

We will promote measures to cultivate human resources, evolve the organizational culture, and enhance our brand power in an integrated manner in order to guide the SUMINOE GROUP to the next growth stage. We will strive to establish a world-class brand that inspires employees to work with pride. We believe that this initiative will serve as a driving force for achieving sustainable growth and enhancing our corporate value.

Securing and improving profits and increasing market capitalization

Pursuing management that lives up to expectations from stakeholders, including employees

Last but not least, the policy of the Group is that it will make all-out efforts to secure and improve profits and increase market capitalization. For the fiscal year ending May 31, 2026, we plan to post net sales of 105 billion yen and operating income of 3.1 billion yen. Further, for the fiscal year ending May 31, 2027, which is the final year of SGW STEP II, we aim to achieve net sales of 109 billion yen, operating income of 5 billion yen, ordinary income of 5 billion yen, and profit attributable to owners of parent of

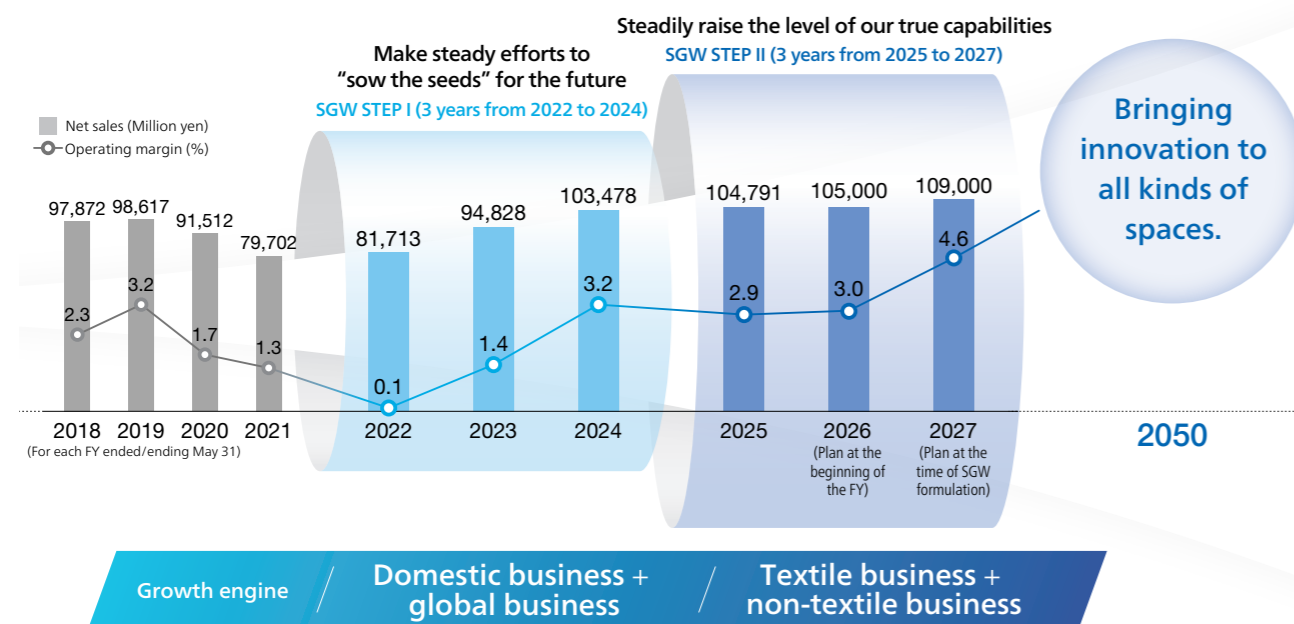


2.6 billion yen. We have also set the FY2027 targets for ROE at 8.0% and PBR at 1.0 times.

For our shareholders and investors, we have raised our dividend payout ratio from 33% to 38% and aim to achieve an annual dividend of 70 yen in the fiscal year ending May 31, 2027. Other measures to reinforce shareholder returns include improvement in the shareholder benefit program. We will also enhance IR activities by such means as increasing opportunities for financial results briefings, meetings with institutional investors, small meetings, one-on-one interviews, and briefings for individual investors while providing English disclosure and improving disclosure quality. Through these activities, we will pursue highly transparent management.

At the same time, to support personal growth of employees, we will establish an environment where they can autonomously take on challenges, in the spirit of the SUMINOE GROUP Philosophy. For our suppliers and customers, we will provide high-quality and environmentally friendly products and services to live up to their trust. For society, we pledge that the Group will contribute to creating a sustainable future as an entity that will set a “new comfort standard.”

Through these initiatives, we will evolve the SUMINOE GROUP into an enterprise that will continuously deliver value to all stakeholders. Based on relationships of trust with shareholders, investors as well as other diverse stakeholders, we will strive to achieve sustainable growth and enhancement of our corporate value. We would sincerely appreciate your continued support.



order to bring new value to society.

As discussed thus far, the Group has been pursuing technological innovation, environmental initiatives, inter-business synergies and global expansion, viewing these as our growth opportunities. We will evolve the SUMINOE GROUP toward the future, through the creation of new value, in keeping with its tagline “bringing innovation to all kinds of spaces.”

Cultivating human resources and fostering organizational culture

Creating an organization where diverse human resources can realize their full potential, as a prime mover for sustainable growth

I am certain that our human resources are the source of the Group’s sustainable growth. To maximize the strengths of our products and technologies, I attach the utmost importance to mindsets and actions of individual employees. Ever since I became the President of the Company, I have focused on penetration of the Group’s philosophy. As a result, now I realize that our corporate culture is gradually making a positive change. It is heartening to see our Group

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.



Input (Management Capital)

Manufacturing capital

- Capital investment: 3,221 million yen
- Consolidated manufacturing subsidiaries in 8 countries
- Globally optimized supply system
- Equipment dedicated to producing eco-friendly products
- Strong relationship with each factory

Human capital

- Consolidated number of employees: 2,943
- Management that exhibit various specialties to enhance corporate value
- Diverse human resources well versed in various business fields

Intellectual capital

- R&D expenses: 1,115 million yen
- Number of patents held: 154
- Cooperation between development personnel
- Intellectual property creation

Social and related capital

- Customers and suppliers belonging to different markets
- Industry-academia partnership
- Historically established trust from stakeholders
- Harmonious coexistence with local communities

Natural capital

- Sustainable resources, including those enabled by photovoltaic power generation, etc.
- Total energy consumption
- Energy use

Financial capital

- Total assets: 94,976 million yen
- Interest-bearing debt: 20,925 million yen
- Equity ratio: 32.8%
- Aggressive M&A

Business Model

Capabilities that form the core of the SUMINOE GROUP



Technology and development capabilities



Medium- to Long-term Management Targets

Materiality

Business foundation

Basic Policy on Sustainability p. 37 Environment pp. 39-44 Social pp. 47-54

Corporate governance pp. 61-68

Group Philosophy p. 1 and pp. 45-46

Social issues and external environment

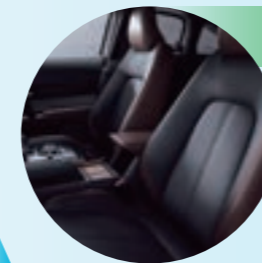
Output (Business Activities)

Interior Fittings pp. 25-26



- Able to propose diverse solutions, since the Group has multiple functions as a manufacturer, wholesaler and constructor, and also able to design and construct an entire space

Automotive Textiles pp. 27-28



- Able to apply its technologies related to various interior textiles, such as fabrics, carpets and mats, to other business segments
- Stability in quality and supply achieved by strong supply chain management

Traffic Facilities pp. 29-30



- Capability to realize high durability and flame-retardance required by textiles used in public transportation systems
- Maintaining a large market share for more than a century based on trust established over a long history

Functional Materials pp. 31-32



- Capability for sales and development to create new products required by markets, cultivated through sales activities leveraging a wealth of functional materials and processing technologies that are unique to the Group

Outcome (Value Creation)

Economic value expansion

- Net sales: 104,791 million yen
- Profit attributable to owners of parent: 669 million yen
- Operating margin: 2.9%
- ROE: 2.1%
- D/E ratio: 0.67 times

Social value improvement

Environmental value

- Strengthen environmental management
- Reduce environmental impact from business operations
- Reduce environmental impact from products
- Reduce the amount of industrial waste generated
- Realize a circular economy

Value offered to stakeholders

Customers and consumers

- Improve quality of life (QOL)
- Reduce environmental impact

Employees

- Diversity & inclusion
- Promote health and productivity management and work-life balance

Suppliers

- Strengthen relationships by building a responsible supply chain
- Improve technological capabilities and mutual growth through transactions

Shareholders and investors

- Profit returns to shareholders through enhancement of corporate value

Local communities

- Revitalize the local economy through employment and social contribution activities

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

Medium- to Long-term Management Targets

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

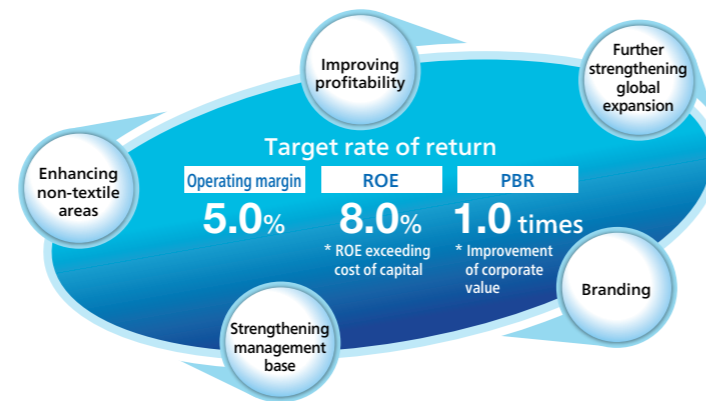
Currently, the Automotive Textiles business is being significantly affected by production cuts and withdrawals by Japanese automakers in China, and uncertainty is further growing about the outlook for the global economy, triggered by the shift to protectionist policies by the U.S. administration. However, there are signs that our sales promotion activities toward overseas automakers are beginning to bear fruit, and we have plans to return the Functional Materials business to the black. For these reasons, the Company has decided to maintain our current plans and target rates of return for the final fiscal year ending May 31, 2027, which is the final year of SGW STEP II.

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

Policy of SGW STEP II (2025–2027)

Priority themes

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



Specific initiatives

| | | |
|--|--|--|
| <p>Improving profitability</p> <p>By focusing on growth businesses and strengthening existing businesses, we aim to secure a stable revenue base and continuously improve profitability.</p> | <ul style="list-style-type: none"> A stable supply of high-quality products that meet customer needs from the synthetic leather plant newly established at our Mexican subsidiary. (Automotive Textiles) Differentiation through unique decorative fabric business. (Automotive Textiles) Proposals and responses, such as emergency escape ladders, to railway companies for them to strengthen safety and disaster prevention measures. (Traffic Facilities) Expand the lineup of value-added products for the medium- to high-end range and create a new series of them to increase customer appeal. (Interior Fittings) Increase the market share of ECOS®, eco-friendly carpet tiles under the horizontal recycling system, with an appealing environmental profile. (Interior Fittings) | <ul style="list-style-type: none"> Focus on high added value areas by revising the product portfolio. (Interior Fittings) Develop and promote sales expansion of summer home appliances. (Functional Materials) Maximize synergy effects through cross-departmental collaboration. (all our business) Implement price pass-through activities to secure appropriate profits and build a sustainable supply chain. (all our business) Improve productivity through capital investment and restructuring and streamlining of production systems. (all our business) |
| <p>Further strengthening global expansion</p> <p>By increasing diversity and updating our global strategy, we will increase our presence in overseas markets.</p> | <ul style="list-style-type: none"> Strengthen coordination between domestic and overseas bases and expand sales channels to foreign-affiliated automakers through participation in overseas exhibitions and presentations. (Automotive Textiles) Strengthen cost competitiveness and optimize the global supply system by restructuring the production system at our Vietnam base. (Automotive Textiles and Functional Materials) | <ul style="list-style-type: none"> Build a structure to expand sales of interior products globally. (Interior Fittings) Hire and develop global human resources. (throughout the Group) Utilize the career self-declaration system. (throughout the Group) |
| <p>Enhancing non-textile areas</p> <p>We will further evolve the core technology that we have cultivated in the textile field while focusing on developing non-textile products and increasing orders for them.</p> | <ul style="list-style-type: none"> Develop new materials utilizing the synthetic leather plant newly established in our Mexican subsidiary. (Automotive Textiles) Expand the filter product lineup by adding new functions such as freshness preservation. (Functional Materials) | <ul style="list-style-type: none"> Achieve differentiation from competitors by developing and expanding products and services that provide new added value, such as synthetic leather and space design business. (all our business) |
| <p>Strengthening management base</p> <p>By promoting sustainability management and strengthening corporate governance, we will increase transparency and reduce the cost of capital.</p> | <ul style="list-style-type: none"> Develop and secure human resources to support the growth of the Group. (throughout the Group) Reduce cross-shareholdings. (throughout the Group) | <ul style="list-style-type: none"> Restructure core systems. (throughout the Group) |
| <p>Branding</p> <p>In order to increase awareness of "SUMINOE" both in Japan and overseas, we will continue to actively promote measures to strengthen branding while strengthening our overall corporate capabilities.</p> | <ul style="list-style-type: none"> Strengthen the competitiveness of the SUMINOE brand under the leadership of the Brand Strategy Department. (Interior Fittings) Strengthen cooperation within the Group through cross-departmental exchanges. (throughout the Group) Place corporate brand advertisements. (throughout the Group) | <ul style="list-style-type: none"> Enhance awareness and penetration of the Group's philosophy and management policy using internal branding strategies. (throughout the Group) Increase visibility of company logos through business tools, etc. (throughout the Group) |

Consolidated income and expenditure plan and results

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

| | 2024 | 2025 | 2026 | 2027 | STEP I and STEP II comparison of final year | |
|---|---------|---------|---------------------------------|---------|---|----------|
| | Actual | Actual | Plan at the beginning of the FY | Plan | (%) | (Amount) |
| Net sales | 103,478 | 104,791 | 105,000 | 109,000 | +5.3% | +5,521 |
| Operating income | 3,300 | 3,001 | 3,100 | 5,000 | +51.5% | +1,699 |
| Operating margin | 3.2% | 2.9% | 3.0% | 4.6% | | |
| Ordinary income | 3,668 | 2,514 | 3,350 | 5,000 | +36.3% | +1,331 |
| Profit attributable to owners of parent | 874 | 669 | 1,500 | 2,600 | +197.3% | +1,725 |
| Exchange rate Yen to 1 USD | 145.31 | 152.60 | 144.00 | 125.00 | | |

Net sales by base

(Million yen/FY ended/ending May 31)

| | 2024 | 2025 | 2026 | 2027 | STEP I and STEP II comparison of final year | |
|---------------------------|---------|---------|---------------------------------|---------|---|----------|
| | Actual | Actual | Plan at the beginning of the FY | Plan | (%) | (Amount) |
| Net sales | 103,478 | 104,791 | 105,000 | 109,000 | +5.3% | +5,521 |
| Japan | 67,793 | 69,507 | 69,400 | 73,000 | +7.7% | +5,207 |
| North and Central America | 18,469 | 19,060 | 19,900 | 18,700 | +1.2% | +230 |
| China | 8,098 | 7,285 | 6,300 | 7,900 | -2.5% | -198 |
| Asia | 9,116 | 8,937 | 9,400 | 9,400 | +3.1% | +282 |

Responses to Achieve Business Management with an Awareness of Capital Cost and Share Prices

Analysis of current situation

Cost of equity 5–7%

Calculation method used at the time of SGW STEP II formulation
 ... 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 2.1% (FY2025 results)

PBR 0.5 times (FY2025 results)

ROE continues to remain below cost of capital, and PBR continues to be below 1.0 times.

During the consolidated fiscal year ended May 31, 2025, in the Automotive Textiles business, at North and Central American bases, the deterioration of production efficiency due to fluctuations in the production plans of automakers has lasted longer than expected, and in addition, affected by the struggles of Japanese automakers in sales in China, the profits at each stage fell below the initial plan. The Company aims to achieve an ROE that exceeds the cost of equity during the period of SGW STEP II. However, the actual ROE was 2.1% due to the factors mentioned above.

In a situation where the market environment surrounding the Automotive Textiles business is becoming increasingly uncertain, we recognize that in order to achieve a level of ROE that exceeds the cost of equity going forward, the most important task is to first improve the operating margin of our core business under SGW STEP II. In addition, we believe it is also necessary to curb the cost of capital.

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.

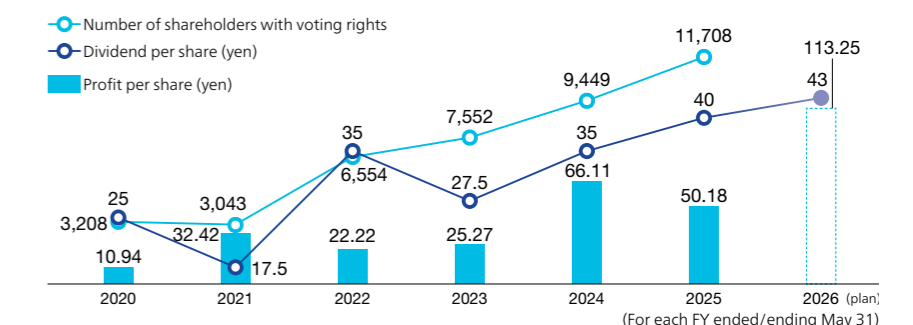
The Company considers that the reduction of investment units is an effective measure to enhance stock liquidity and further expand the investor base. The Company therefore conducted a 2-for-1 stock split of its common stock, effective March 1, 2025.

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 35 yen per share.

Continuous expansion of returns

- The payout ratio will be raised from 33% to 38%. We aim at an annual dividend of 70 yen for FY2027.
- We will continue to offer a shareholder special benefit plan that includes our own products.



* Figures for the dividend per share and the profit per share for FY2025 and earlier have been adjusted to reflect the stock split.

Enhancing IR activities * Related to p. 71

The Company is actively engaged in constructive dialogue with its shareholders and investors in order to achieve sustainable growth of the Group and improve its corporate value over the medium to long term, as well as to foster market understanding. In the fiscal year ended May 31, 2025, in addition to holding financial results briefings twice a year, the President gave company briefings for individual investors, and the officer in charge of investor relations held one-on-one meetings with institutional investors. In addition to timely disclosure, in order to promote constructive dialogue, we also focus on disseminating IR-related information by, for example, using sponsored reports that provide information from a neutral standpoint and transcription services for financial results briefings held for institutional investors. Also, by increasing opportunities to communicate with shareholders and investors, such as extensive information disclosure, one-on-one interviews, and company information briefings, we will continue to work to gain greater understanding of the Group and ensure transparency.

Materiality

Amid the increasing significance of sustainability in corporate activities, in June 2024, the SUMINOE GROUP identified six materiality issues, in line with the Basic Policy on Sustainability and Related Policies and the Group Philosophy. The objective was to create medium- and long-term value by considering both the importance for stakeholders and the importance for the Company's long-term business activities.

One characteristic of the Group's materiality is that it includes "Provision of valuable products and services" as an item in the category of Value creation/Revenue opportunities, in addition to ESG issues. This item reminds us of the issues to be addressed regarding sustainability and originality of the Group's eco-friendly products and sustainability-related businesses as a whole. We believe that it will lead to improving our competitive advantage, helping enhance our corporate value.

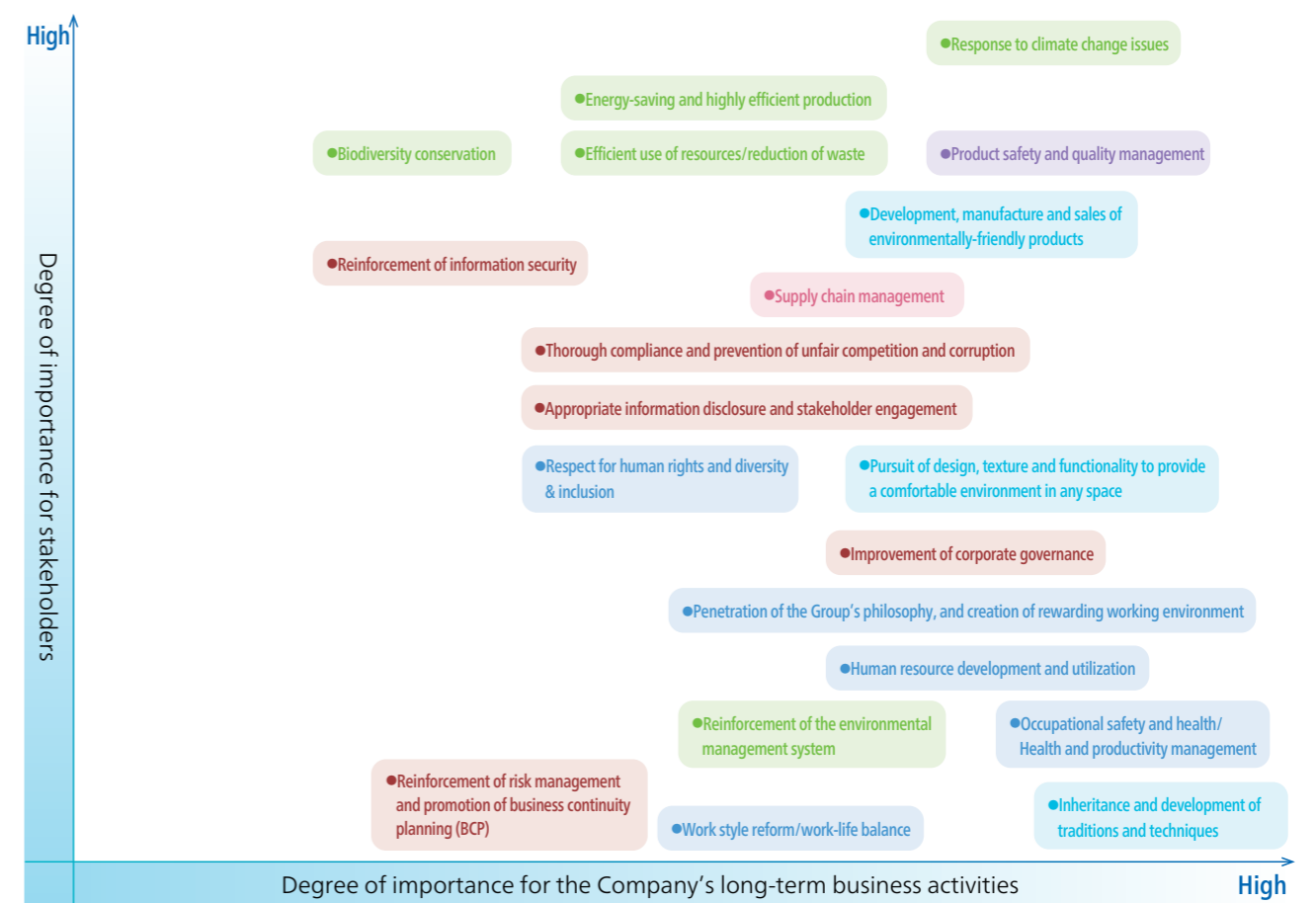
Process for Identifying Materiality



[*1] General committee on materiality identification
The general committee comprised representatives of Headquarters & Administration Headquarters, division managers of respective business headquarters, and relevant managers, with the CSR Promotion Department serving as the secretariat.

[*2] Subcommittees on materiality identification
These subcommittees consisted of members from main departments in the materiality identification committee. Each subcommittee was designed to hold discussions on one of the six materiality issues.

STEP 2 Identified sustainability themes



STEP 3 Six materiality issues identified



Issues for the future

While promoting understanding and penetration of materiality, we strive to develop a method of compiling KPIs and establish an in-house system.

Materiality List

| Category | Materiality (key issues) | Themes | Targets | Major initiatives | Progress and monitoring indicators (KPIs) | Targets for FY2025 (FY ended May 2025) | Results for FY2025 | Targets for FY2027 (FY ending May 2027) | | | | | | | | | |
|--|--|--|--|---|--|--|--|--|--|--|---|---|--|---|--|---|---|
| Value creation/Revenue opportunities | Improve the social value of the SUMINOE brand through innovation. Provision of valuable products and services | <ul style="list-style-type: none"> Pursuit of design, texture and functionality to provide a comfortable environment in any space Inheritance and development of traditions and techniques Development, manufacture and sales of environmentally-friendly products | <ul style="list-style-type: none"> 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. | <ul style="list-style-type: none"> Strategically utilize and protect intellectual property. Create new value (new products) by improving and integrating core technologies. Expand non-textile-related businesses and the space design business(*). Increase awareness of the SUMINOE brand. (* The space design business aims to materialize our customer's requests at a higher level by expanding the business domain to the planning and design of the whole "space," not limiting it to production, sale and proposition of products that color the "surface." | <ul style="list-style-type: none"> Number of applications for patents, utility model rights, and design rights Synergetic effects, including sales growth of the space design business Dissemination of the SUMINOE brand Development of human resources who will take over tradition, technologies and manufacturing (OJT and training) | <ul style="list-style-type: none"> 15 or more applications Several cases Website, social media, exhibitions, advertisements, promotion, and dissemination through various media Automotive Textiles Business Headquarters held the design presentation titled "Liberate: Freedom from time and space constraints" 14 times in Japan and 2 times overseas. Design presentation, etc. Several times, as needed | <ul style="list-style-type: none"> 16 patent applications, 5 design applications Several cases Websites, social media, exhibitions, advertisement, promotion and dissemination through various media. Automotive Textiles Business Headquarters held the design presentation titled "Liberate: Freedom from time and space constraints" 14 times in Japan and 2 times overseas. Several times, as needed (See p. 48.) | <ul style="list-style-type: none"> 15 or more applications Several cases Websites, social media, exhibitions, advertisement, promotion and dissemination through various media. Several times, as needed | | | | | | | | | |
| | | | | | | | | | <ul style="list-style-type: none"> Reduce CO₂ emissions throughout the product life cycle. Contribute to a recycling-based society. Create environmentally friendly products through new technology development. | <ul style="list-style-type: none"> Reduce greenhouse gas emissions throughout the product life cycle. Continue our business beyond the 150th year anniversary and into the future. | <ul style="list-style-type: none"> Promote LCA assessment for products and acquisition of the Environmental Product Declaration (EPD) certificate. Develop technologies and products toward the realization of a circular economy. Create environmentally friendly technologies and products. | <ul style="list-style-type: none"> Number of eco-friendly products obtaining the EPD, a third-party verification Number of new eco-friendly technologies Number of new items of eco-friendly products | <ul style="list-style-type: none"> 11 items of carpet tiles 1 3 items | <ul style="list-style-type: none"> 0 items of carpet tiles 1 2 items | <ul style="list-style-type: none"> 4 items of carpet tiles 1 3 items | | |
| | | | | | | | | | <ul style="list-style-type: none"> Response to climate change issues Energy-saving and highly efficient production Efficient use of resources/reduction of waste Reinforcement of the environmental management system Biodiversity conservation | <ul style="list-style-type: none"> Reduce greenhouse gas emissions in business activities. Reduce energy consumption. Use renewable energy. Reduce greenhouse gas emissions (Scope 1-3). Promote utilization of recycled resources, waste reduction, etc. Strengthen the system through the Environmental Promotion Subcommittee, training, acquisition of certifications, etc. Implement training and classroom lectures regarding biodiversity. | <ul style="list-style-type: none"> Reduce rate of Scope 1 & 2 emissions per unit of sales (compared with FY2024 levels) Increase in utilization rate of recycled resources (compared with FY2024 levels) Reduction in the amount of industrial waste generated (compared with FY2024 levels) Number of implemented training sessions regarding decarbonization and CO₂ emissions [*1] 7 bases of 7 overseas companies, [*2] 9 bases of 8 companies in Japan | <ul style="list-style-type: none"> Reduce by 1.0%. Increase by 1.0%. Reduce by 1.0%. [*1] 1 | <ul style="list-style-type: none"> Reduced by 2.0%. Decreased by 1.4%. Reduced by 1.6%. [*1] 1 | <ul style="list-style-type: none"> Reduce by 3.0%. Increase by 3.0%. Reduce by 3.0%. [*2] 1 | | | |
| 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 | <ul style="list-style-type: none"> Respect for human rights and diversity & inclusion Human resource development and utilization Penetration of the Group's philosophy, and creation of rewarding working environment Occupational safety and health/Health and productivity management Work style reform/work-life balance | <ul style="list-style-type: none"> Respect human rights and prevent of all forms of harassment. Ensure fair and non-discriminatory treatment in all aspects of employment. Create an organizational culture that embraces diversity. 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. 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. Improve employee engagement. Prevent workplace accidents. Maintain employee health. Improve employee well-being and productivity by supporting flexible working styles. | <ul style="list-style-type: none"> Promote human rights due diligence and human rights education. Promote women's participation. Develop an environment and system that accept and respect diversity. Implement human resources training and digital transformation education. Optimize the human resources portfolio. Review personnel and evaluation systems in response to environmental changes. Implement training on the Group Philosophy. Implement omni-directional communication. Improve employee engagement. Assure the safety of employees and promote their health. Implement the Working Style Reform Action Plan. | <ul style="list-style-type: none"> Number of implemented training sessions regarding human rights and harassment [Group companies in Japan] Ratio of female managers <5.1% in FY2024> [Group companies in Japan] Hours of personnel training (average training hours per employee) [Group companies in Japan] Revision of personnel and evaluation systems Rate of attendance in the Group Philosophy training [*1] Group companies in Japan, [*2] Overseas Group companies Number of bases receiving visits for Management by Walking Around [*3] [*3] An approach that encourages interactive communication between senior management and employees Number of Tsunagu-wa-cation [*4] and Tsunagu meetings (backup meetings) [*5] held [*4 and 5] Activities under the keyword "Tsunagu (lit. connect)," intended to promote communication transcending the boundaries of Group companies. Questionnaire Survey on Workplace Comfort Employee engagement indexes Managers: 3.10, general employees: 2.70 (The above indexes are based on scales up to 4.) <FY2024 results> Number of serious occupational accidents Use rate of annual paid leave [Group companies in Japan] Rate of male employees taking childcare leave [Group companies in Japan] | <ul style="list-style-type: none"> 1 item 5.5% Understand the hours and establish the definition. Make preparations. [*1] 100% 10 [*4] 3, [*5] 2 - (Held every two years) 0 70% or more 100% | <ul style="list-style-type: none"> 1 item regarding human rights and harassment 5.7% Held training for Personal Dept. of SUMINOE and for supervisors of administration depts. of Group companies (including correspondence courses) Newly added a field for writing the mission of individuals to the target management sheet. [*1] 100% 10 [*4] 4, [*5] 2 - (Held every two years) 0 57.4% 90.9% | <ul style="list-style-type: none"> 1 item 6.0% Set targets (for FY2026). Revise the systems. [*2] 100% The number of bases will be specified in the plan. [*4] 3, [*5] 2 Increase by 0.03 points. <FY2026> 0 70% or more 100% | | | | | | | | | |
| | | | | | | | | | <ul style="list-style-type: none"> Product safety and quality management | <ul style="list-style-type: none"> 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. | <ul style="list-style-type: none"> Construct quality management system and develop quality personnel. Conduct internal audits of product safety and quality by rotation. Implement green procurement. Provide accurate and clear information about our products and services. | <ul style="list-style-type: none"> Number of violations of laws and regulations Number of departments undergoing internal audits by rotation | <ul style="list-style-type: none"> 0 15 | <ul style="list-style-type: none"> 0 15 audited + 4 reaudited | <ul style="list-style-type: none"> 0 The number of departments will be specified in the audit plan. | | |
| | | | | | | | | | <ul style="list-style-type: none"> Supply chain management | <ul style="list-style-type: none"> Realize sustainable procurement. | <ul style="list-style-type: none"> Penetrate sustainable procurement to suppliers. | <ul style="list-style-type: none"> Sustainable procurement "agreement" (conclusion rate) and "questionnaires" (response rate) (collection rate) [*1] Applicable suppliers of 5 Group companies in Japan [*2] Applicable suppliers of 13 Group companies in Japan <FY2026>[*3] Applicable suppliers of 13 overseas Group companies <FY2027> | <ul style="list-style-type: none"> [*1] 80% | <ul style="list-style-type: none"> [*1] Agreement: 80.6% Questionnaires: 81.7% | <ul style="list-style-type: none"> [*2/*3] 80% | | |
| | | | | | | | | | Governance | We will build a foundation of corporate trust by ensuring transparency. Enhancement of governance | <ul style="list-style-type: none"> Improvement of corporate governance Thorough compliance and prevention of unfair competition and corruption Reinforcement of risk management and promotion of business continuity planning (BCP) Reinforcement of information security Appropriate information disclosure and stakeholder engagement | <ul style="list-style-type: none"> Implement highly effective corporate governance. Implement corporate activities with an emphasis on compliance. Establish group governance. Improve resilience by identifying, analyzing and assessing risks and taking measures to mitigate them. Prevent disasters and accidents. Prepare BCP for events such as a disaster or pandemic. Recognize information assets as important assets, and properly protect and manage these assets. Disclose the Company's financial and non-financial information in a timely manner in accordance with laws, regulations and rules. Promote understanding of the Company through dialogue with shareholders and investors. | <ul style="list-style-type: none"> Responses to disclosure of the Corporate Governance Code Optimize the structure of the Board of Directors and realize its diversity. Establish and manage succession planning. Evaluate the effectiveness of the Board of Directors. Support outside directors in understanding our worksite situations and obtaining information. Hold compliance training for employees and officers. Improve the effectiveness of the whistleblowing system and announce the whistleblowing contact points for consultation. Conduct compliance audits. Compliance awareness survey Share risk issues and take countermeasures. Conduct risk assessment through internal control. Conduct activities to prevent disasters and accidents, share information in the event of such emergency, and take measures. Establish a security management system. Adhere to the security guidelines of industry groups. Increase opportunities for dialogue with investors. Disseminate our corporate value by responding to coverage and approaches of various media. | <ul style="list-style-type: none"> Analysis and evaluation of the effectiveness of the Board of Directors and disclosure of issues Number of serious violations of laws and regulations Number of compliance training implemented [*1] Employees, [*2] Officers Number of fire drills and BCP-based personal safety confirmation drills implemented (BCP-based drills at the head office of SUMINOE Co., Ltd. and the head office of SUMINOE Interior Products Co., Ltd.) Number of serious information security accidents Number of seminars for individual investors implemented Number of one-on-one meetings with institutional investors implemented | <ul style="list-style-type: none"> Implement 1 time. 0 [*1] According to the plan for level-based training [*2] 1 1 0 2 10 | <ul style="list-style-type: none"> Implement 1 time. 0 [*1] Implemented according to the plan for level-based training. [*2] 1 1 1 3 36 | <ul style="list-style-type: none"> Implement 1 time. 0 [*1] Implement according to the plan for level-based training. [*2] 1 1 0 2 20 |
| | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> Number of seminars for individual investors implemented | <ul style="list-style-type: none"> 2 | <ul style="list-style-type: none"> 3 | <ul style="list-style-type: none"> 2 | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> Number of one-on-one meetings with institutional investors implemented | <ul style="list-style-type: none"> 10 | <ul style="list-style-type: none"> 36 | <ul style="list-style-type: none"> 20 | | | | | | | | | | | | | | |

Aiming to resolve social issues through our business activities, centering on our fundamental development philosophy "KKR+A (Kenko [Health], Kankyo [Environment], Recycling and Amenity)"

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.

Fundamental Development Philosophy

As an industry pioneer, the SUMINOE GROUP has pushed forward with the development and application of advanced technologies that are friendly to human health and the environment. In 1998, the Group announced its fundamental development philosophy, "KKR+A." Since then, guided by this philosophy, 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.



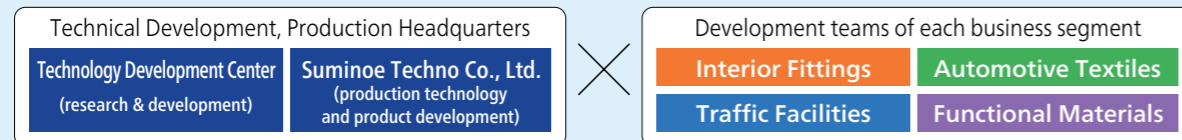
Core Technologies

- Textile and knitting production technology
- Resin compounding technology
- Resource recycling technology
- Sensing technology
- Coating technology
- Functionalization technology
- Hard cotton processing technology

The research and development of core technologies is conducted by the Technical Development, Production Headquarters 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.

*Related to p. 33

Research and Development System



K Kenko (Health)

The Group has undertaken the development of antibacterial processing technology for around 20 years. About 10 years ago, we started to sell antibacterial and antiviral carpets and curtains, mainly targeting medical, welfare, and educational facilities. To meet the growing demand for antiviral products in the wake of the COVID-19 pandemic, we have been placing greater emphasis on establishment of performance evaluation techniques and product development, succeeding in speeding up the testing process and improving the quality. The Group has also developed "Vguard," an antibacterial/antiviral processing technology. We are promoting the application of this technology to carpet tiles and curtains.



K Kankyo (Environment)

Fibers and plastics are both familiar in our daily life, and we have many opportunities to touch these materials. Applying molding technologies for eco-friendly resin floor materials, we have developed floor signage film for use in trains. The film features excellent durability as well as non-slippery and flame-retardant properties, ensuring peace of mind and safety in everyday scenes. Our film also finds a new application as an interior item for anti-scratch purposes in a car, and we have started activities to expand its sales.



R Recycling

To fulfill its social responsibilities as a manufacturer, the Group has worked to reduce environmental impact of our products. A typical example is ECOS[®], eco-friendly carpet tiles under the horizontal recycling system. In the production of the ECOS[®] series, we have achieved a recycled material ratio that is one of the highest in Japan by introducing manufacturing equipment that is optimal for recycling. Other examples include スミトロン[®] (SUMITRON), a recycled polyester fiber derived from used PET bottles, and SEACLE, a recycled nylon fiber made from discarded fishing nets. Although スミトロン[®] (SUMITRON) has conventionally been used in carpets, we are expanding its application to a covering material for car seats. In recent years, initiatives have also been underway to develop a sheet made of a material blended with wood flour, which is expected to help reduce CO₂ emissions.



A Amenity

We contribute to creating a comfortable space by giving deodorizing and allergen-adsorbing processing to curtains, carpets, wallpaper and other interior products around us. Also, we have launched a vibration damping sheet, "burupita[®]." For example, this new product can be used as a deadening material for automobile door trims to reduce road noise and exterior noise, helping users to be free from the stress of vibrations.



Interior Fittings

Review and Future Prospects by the Officer in Charge

Aiming to increase awareness of the SUMINOE brand and improve profitability



Norihisa Murase

Director, Division Manager, Interior Textile Business Headquarters

| | |
|---|--|
| <p>Strengths</p> <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>Weaknesses</p> <ul style="list-style-type: none"> Insufficient brand awareness in the BtoC market Decreased demand for roll carpets, one of the mainstay products of this segment Inefficient logistics because of the fact that wallpaper and interior products are handled by different management systems at different operation bases |
| <p>Opportunities</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 Growth of new markets, such as the pet-related markets | <p>Threats</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 skilled manufacturing technicians due to aging and decreased demand Shortage of transportation drivers and increased transportation expenses due to logistics issues |

Business Outline and Overview

The Interior Fittings segment is the original and core business of the SUMINOE GROUP and has been a major driver for the Company's growth. While other businesses of the Group are mainly engaged in OEM manufacturing, the Interior Fittings segment has played a key role in increasing our brand awareness and establishing our corporate image as a pioneer of Japan's interior industry.

In this business segment, carpet tiles, curtains, rugs, and mats are primarily handled by SUMINOE Interior Products Co., Ltd., wallpaper and *fusuma* paper by RUNON CO., LTD., and built-in fixtures by CPO Co., Ltd. With these main players, we can

offer total proposals for various interior spaces.

In terms of commercial distribution, we have two market channels. One is for BtoB and the other is BtoC. It is characteristic that both channels have points of contact with end-users.

In the fiscal year ended May 31, 2025, a large number of our products were adopted in hotels amid a boom of hotel construction arising from increased inbound demand, and the space design business also remained strong. As a result, we posted net sales of 38,264 million yen and segment income of 1,023 million yen, achieving the targets for the first year of SGW STEP II.

Strengths and Issues Identified through Past Initiatives

One of our strengths is weaving techniques, which have been handed down from the Meiji period (1868–1912) and contributed to the establishment of Japan's image as a modern state. The typical example is handwoven carpets that have been continuously manufactured by TANGO TEXTILE Co., Ltd. since the Group's founding. Other examples include handwoven *doncho* curtains, hand-hooked *dantsu* carpets, and hooked rugs woven by an automatic loom. So far, our products have been adopted in the Diet Building, renowned hotels and brand shops. As indicated by this track record, we are confident that our products earn an extremely high degree of reliability. Additionally, we have strong product development capabilities. We were quick to focus on environmentally friendly products, ahead of other interior manufacturers. In 2011, we launched ECOS®, eco-friendly carpet tiles under the horizontal recycling system. In recent years, there have been increasing cases where building and hotel owners actively designate products made from recycled materials, and customer requests regarding designs and functionality have become diversified. To flexibly respond to such a broad range of needs, we can develop and deliver valuable new products. I am aware that this strength makes the Group superior to other competitors.

However, there are issues confronting the Interior Fittings segment. As for conventional commercial distribution for new buildings and hotels, we have an unavoidable tendency toward low-margin, high-volume sales because of the business structure. Therefore, without being bounded by conventional commercial distribution, we have also focused on other industries, including the pet-related market that is growing each year, where we have strengthened proposal-based activities to sell products featuring excellent functionality and design. On the other hand, carpets and curtains for general household use are products that differentiate us from others in terms of quality and design. As such, we consider these carpets and curtains to be the mainstay products that enable us to improve both our brand value and profitability. Although the market conditions are severe at present, we would like to uncover potential needs once again in this market, where our strength lies.

Toward Achieving SGW STEP II –Prospects and Measures–

Considering the current progress, it is almost possible for us to attain the targets for net sales and segment income originally set for the year ending May 31, 2027, the final year of SGW STEP II, ahead of schedule. In the next medium-term plan, however, we have set the target for the ratio of segment income at 5%.

To achieve this target, it is first important for us to steadily implement the ongoing business policy and measures. The key initiatives are to develop new products and new markets and improve brand awareness.

In terms of new product development, we should differentiate ourselves from others by leveraging our ability to flexibly meet a broad spectrum of needs in order to raise profitability. It is also important to strengthen the middle- to high-end product range, where we can satisfy customers with our products produced through high technology and offer them a special experience that matches the price. To be more specific, we launched "Epilogue," a series of custom-made rugs in a mid-price range, in June 2025. We will actively work to expand sales of this new series, along with the already existing products, "itten" in a high price range and "REI" in the highest price range. In recent years, offices have come to be viewed not merely as a working place but as a place where employees can communicate with each other and find comfort. In response to this change, sales of "itten," a collection of made-to-order rugs for general households, have considerably expanded also in the BtoB area. We will continue to flexibly answer needs of users.

To cultivate a new market, we will accelerate collaboration with other industries and our proposal activities, capitalizing on technologies of the entire Group. We are aware that, by changing perspectives, we can find still many more business opportunities, as exemplified by non-slip and waterproof carpets for pets and mats sold in a set with health equipment. With this recognition, we will expand the scope of target customers. Organization restructuring is also under way with the aim of cultivating new markets and improving product development capabilities. We will shift to a sales system under which personnel are assigned to each target customer base and conduct sales activities while sharing a customer base between different businesses. In doing so, we will enhance synergetic effects in order to seize many more business opportunities.

One of the measures to improve brand awareness is to strengthen the BtoC channel and disseminate the brand in the digital world. In 2024, we redesigned SUMINOE Interior Products' website, which serves as a point of contact with end-users. Since then, we have received a significantly increasing number of inquiries and sample requests. We will continue to strengthen digital strategies, including coordination with social media, in order to increase awareness of our brand.

The Interior Fittings segment is a pioneer of Japan's interior industry and is a core business of the SUMINOE GROUP. Bearing this in mind, we will remain committed to improving both our brand value and profitability.

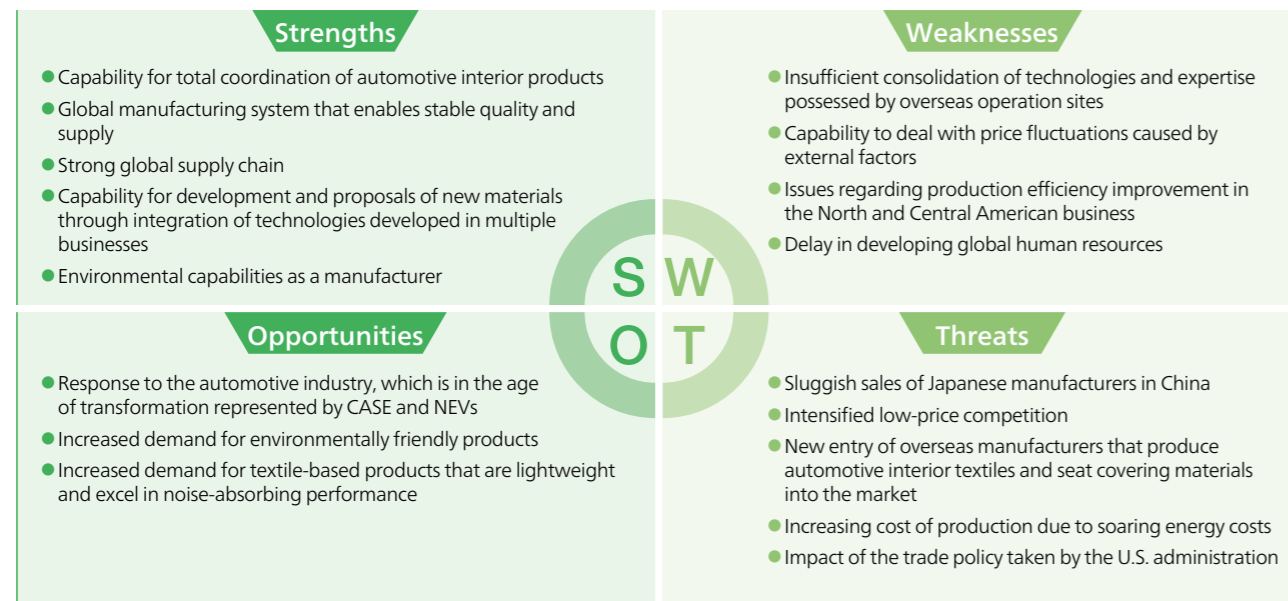
Automotive Textiles and Traffic Facilities (Automotive Textiles)

Review and Future Prospects by the Officer in Charge

Striving to uncover potential needs in order to set a new comfort standard



Kazuaki Suwa
Director, Division Manager, Automotive Textiles Business Headquarters



Business Outline and Overview

Net sales of the Automotive Textiles and Traffic Facilities segment amounted to 63,478 million yen, accounting for approximately 60% of the entire Group. Segment income came in at 4,094 million yen. As indicated by these figures, it can be said that the segment is the very mainstay of the Group.

In particular, the Automotive Textiles business offers diverse automotive materials, including seat covering materials, floor carpets and car mats, which have been adopted primarily by Japanese automobile manufacturers. In recent years, there have been increasing cases where our products are employed by electric vehicle (EV) manufacturers. Our business scheme is as

follows: Joining a customer project from its planning stage, we advance proposals on seat covering materials, floor carpets, car mats and other automotive materials to the customer. Once our proposed product is approved as valuable and suitable for the project concept, we supply products of the same quality to parts manufacturers in a stable manner.

In the fiscal year ended May 31, 2025, the North and Central American bases suffered a longer-than expected decline in production efficiency due to fluctuations in the production plans of automakers, and Japanese carmakers' share of the Chinese market decreased more significantly than estimated. These factors contributed to a lowering of profits. However,

the Automotive Textiles business remained robust as a whole, despite the growing uncertainty of the market environment surrounding the business.

Strength and Issues Identified through Past Initiatives

I believe that the Group is the only enterprise that can carry an extensive array of products, including ceiling materials, seat coverings, floor carpets, and car mats, which are optimal for various components in cars, and propose a total line of automotive products. There is no doubt that this is our strength, which is unequalled anywhere in the world.

For instance, when a new car model is developed, we participate in the project from the concept stage, in which we propose materials and designs that are optimal for each component. For another example, in response to an automaker's requirement for a "material that offers high-quality comfort and feels something special," we proposed a high-density and voluminous floor mat, which was successfully adopted. The floor mat was woven by hand using the manufacturing technique for high-class rugs and carpets called "Tango dantsu," which are often adopted in hotel lobbies. As shown in these examples, we can provide a wide variety of products that meet respective customer needs, drawing on our flexibility and bringing together technologies developed by the Interior Fittings, Functional Materials, and Traffic Facilities businesses. This collective capability is also one of our strengths.

On the other hand, optimization of the production system and improving its efficiency still remain as important issues to be addressed. Currently, as part of restructuring of the production systems at the North and Central American bases, the Group is further promoting the integration of production into the Mexican base and its reinforcement. Through these initiatives, we aim to increase production efficiency and cost-competitiveness of the entire North and Central American base.

Regarding future trends, we must keep a close eye on the extent to which the business is impacted by the import tariff policy of the U.S. Trump administration. However, in light of the local production trends of Japanese carmakers and the comprehensive costs, we consider that the Group should continue to maintain the production system policy centering on the Mexican base.

While coping with changes in such a specific external environment, we should further reinforce our proposal-making capability, which is a strength of the Group. This is our growth story for the next medium-term management plan. In the automotive industry, along with the changing trends in car interior designs, customer needs have been shifting from fabric

to synthetic leather. We are therefore required to develop and produce materials and products that accurately respond to these trends.

Furthermore, increasing customer acquisition is also an important theme in the future. It is our task to expand the scope of our proposition and build a new customer base in order to enhance our competitiveness in the global market.

Toward Achieving SGW STEP II –Prospects and Measures–

Although there are uncertainty factors, forecasts for production volume of Japanese automobile manufacturers mostly remain unchanged. As of now, the business aims to achieve growth while maintaining the targets set under SGW STEP II.

In terms of production, we have been strengthening the synthetic leather supply system centering around the bases in Mexico and Thailand. Currently, initiatives are under way to enhance our capabilities to make proposals tailored to each market.

In the North and Central American market, on which we focus, now that we have gained a foothold for a major foreign automotive manufacturer in the U.S., we will strive to further expand our business. Meanwhile, we will conduct sales activities in India, Thailand, Indonesia, Vietnam and other Southeast Asian countries, where Japanese automakers have a high market share and market growth is remarkable. These two markets hold the key to achieving our future growth.

In addition to taking measures geared to each region, it is more important for us to strengthen our comprehensive proposal capabilities. Taking seat coverings as an example, conventionally our sales activities have been focused mainly on fulfilling customer requests. Going forward, however, we will take a proactive approach to expand our business field. Specifically, we will anticipate customer needs and propose suitable specifications that provide functionality and added value for customers. Also, to implement the proposal, the entire Group's strength will be utilized in the production processes, including backing attachment and cutting. To realize this approach, it is essential to generate synergies of technologies and products through inter-departmental collaboration. As such, individual employees working in the fields of sales, development and design must change their mindsets.

Customer fixation and job routinization are points for reconsideration. While sharing a sense of crisis that "The work we have today does not necessarily continue tomorrow," we will continue to take on challenges.

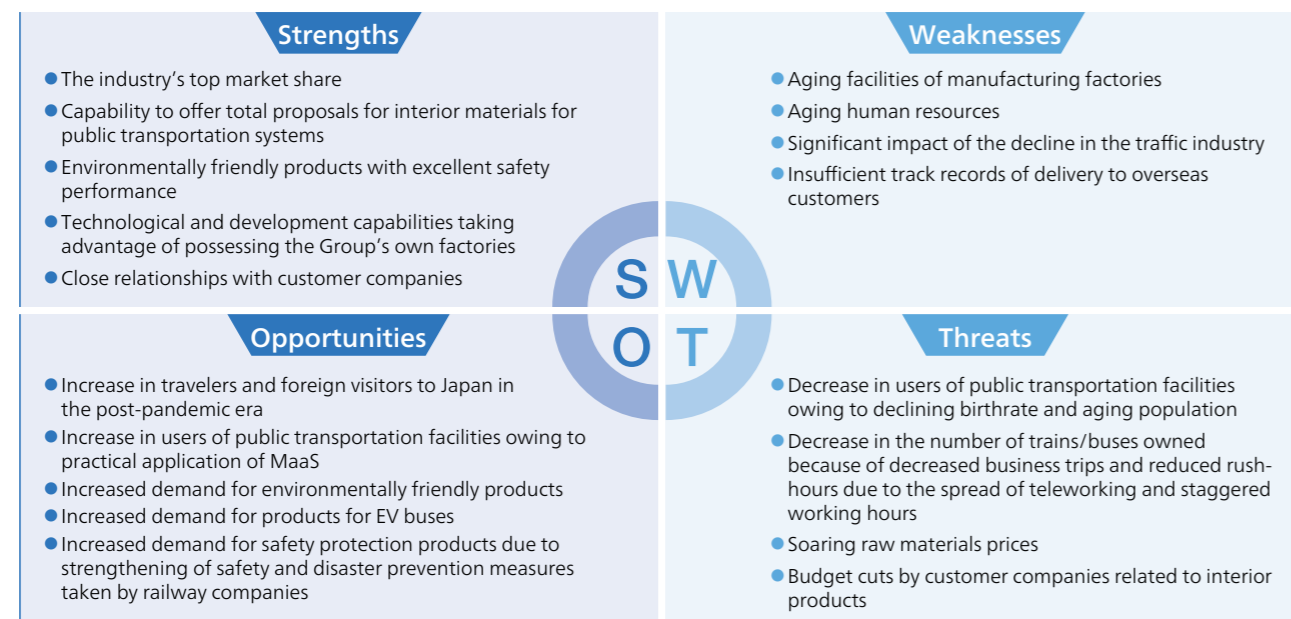
Automotive Textiles and Traffic Facilities (Traffic Facilities)

Review and Future Prospects by the Officer in Charge

Leveraging the Group's comprehensive strength to enhance our capabilities to make multifaceted proposals not only on interior materials for public transportation facilities but also on other various products

Tomohiro Yoshizawa

Operating Officer, Division Manager, Traffic Facilities Business Headquarters



Business Outline and Overview

The Traffic Facilities business takes charge of production and sales of seat coverings and other interior materials for public transportation facilities, including Shinkansen bullet trains and other trains, buses, and ships. In 1896, our founder succeeded in manufacturing a hand-woven seat moquette for the first time in Japan. The moquette was adopted by the Japan National Railways (now the JR Group) as its seat covering. Since then, our products have been used in an increasing number of train cars. Now, we boast the industry's top market share in seat covering materials for railway cars. As for seat covering materials for buses, we have also kept one of the highest market shares in Japan.

In the wake of the COVID-19 pandemic, the business has been affected by the declines in train car production volume as well as in the renovation frequency of existing cars. However, since we have maintained stable market shares, our net sales have been on the recovery trend. In general, demand for replacing seat coverings for train cars arises on a 10-15-year cycle, whereas no replacement demand arises for bus seat coverings, once being delivered when a bus is built. This also serves as evidence that our moquette fabrics (seat coverings) are durable and long-wearing materials and sustainable products.

The Traffic Facilities business is also apt to be influenced by budgeting of customer companies and their yearly business

plan. It is important for the business to forecast the replacement demand, taking into account the customer trends, and to formulate our production plan based on the forecast. For this reason, we strive to establish a relationship of trust with our customer railway companies and to grasp their train operation schedules in detail.

Strengths and Issues Identified through Past Initiatives

The basic principle of public transportation facilities is that "ensuring safety" comes first before anything else. Accordingly, the business must provide high-quality seat covering materials featuring high durability and flame-retardance. From the viewpoint of sustainability, customers want seat coverings that are long-wearing and do not show stains easily even when they get soiled. The business's strength lies in its capability to satisfy these needs. Moreover, we have maintained a high market share and established a stable supply system to deliver safe and high-quality products to railway and other operators. This has enabled us to enjoy close relationships with these customer companies, which is another strength of the business.

Although the transportation interior market has been stable, it is not an area with a high growth potential, and the demand arising from replacement of seat coverings depends on the annual budgets and vehicle maintenance plans of customer companies. It is therefore all the more necessary for us to accurately identify the demand. By grasping customers' car maintenance schedules, including the places where maintenance is conducted, we have established customer relationships that enable us to produce and ship products with optimal timing.

Nowadays, railway companies show a tendency to increase their budgets for safety measures, but reduce their budgets for interior products. As such, the Group has been attentive to this tendency. To cope with rising raw material prices, we have also been working on cost reduction. Since our suppliers include many small companies, the Group recognizes that it is its responsibility as a market leader to build up a sustainable supply chain. To fulfil this responsibility, we need to take multifaceted measures, including changes in specifications. Our important future task is to discern how we should expand revenue opportunities, taking into account the constraints mentioned above while improving efficiency and exploring technological innovation.

Toward Achieving SGW STEP II –Prospects and Measures–

Due to the COVID-19 pandemic, demand for our products had decreased owing to reduced vehicle production and

maintenance frequency. In light of the recent market environment where the demand has recovered, the business has adopted the policy of maintaining its numerical targets initially set under SGW STEP II.

While we have been working on cost reduction as mentioned earlier, we are aware that we need to obtain understanding from customer companies about the cost increases and price pass-through. In our efforts to maintain and improve profitability in the future, the key to success should lie in further reinforcing our proposition capabilities and achieving technology innovation through synergies among different businesses. I would also like our customer companies to recognize that the Group is an enterprise capable of providing an extensive range of high-quality products.

In recent years, the Traffic Facilities business has focused on strengthening its design capabilities to meet diversifying demands mainly for designs of sightseeing vehicles. We plan to display our proposal-making capabilities to design an entire space, including not only seat coverings but also flooring materials and curtains. An example of our track record is a project for the sightseeing train "Hana Akari," operated by West Japan Railway Company. In this project, we delivered a total set of interior materials, including seat coverings as well as carpet tiles and curtains. Our products were highly regarded for a color use and texture that expressed the train's interior motif "Flowers in four seasons in Japan."

To enhance our comprehensive capability for proposal making, I believe that it is effective to expand our perspectives to propose additional functions. For instance, a personal space requires quietness. We can then propose a new product having a function that meets this requirement. Going forward, we will advance product development from a broader perspective in order to promote the creation of added value.

With the view of increasing revenue opportunities, initiatives are being implemented to propose products for safety measures, which are in growing demand nowadays. We are enhancing the lineups of products, such as emergency escape ladders and intrusion prevention nets, in cooperation with our Group company Marunaka Soei Co., Ltd. In this way, we will promote sharing of information on our customer base and technological collaboration transcending the boundaries between businesses in order to advance multifaceted proposals.

We will review the value of a space itself and offer new proposals to public transportation operators by leveraging the Group's comprehensive strength without being constrained by the conventional framework of the Traffic Facilities business.

Functional Materials

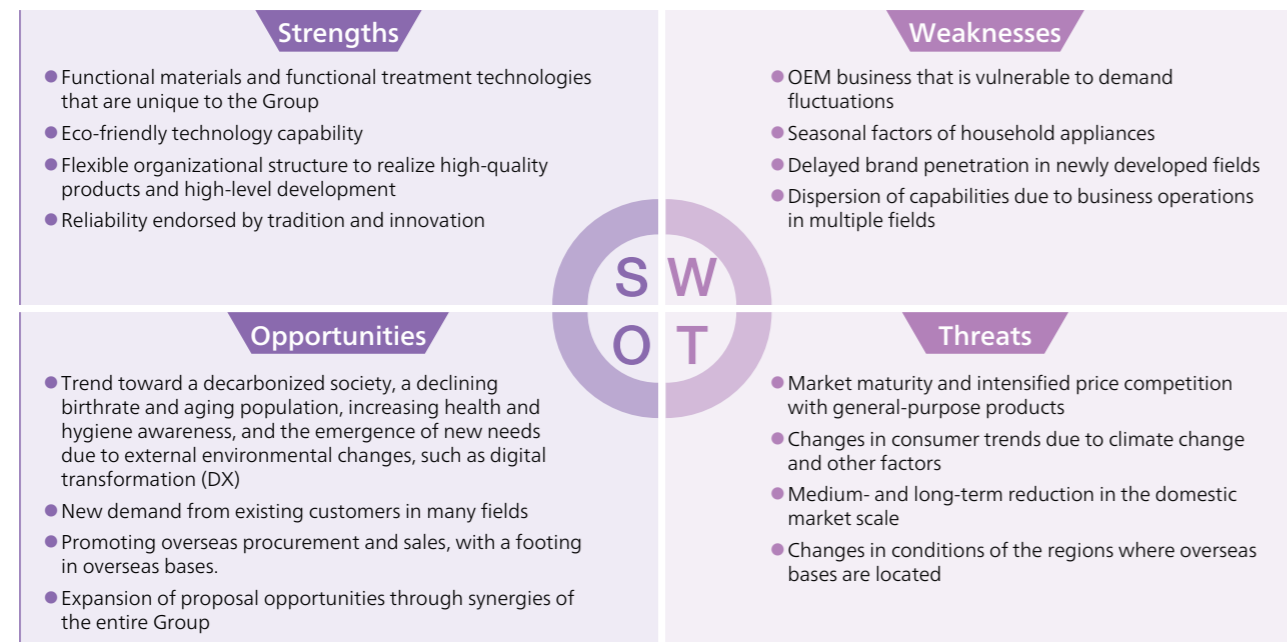
Review and Future Prospects by the Officer in Charge

Driving business restructuring to promote spring and summer home appliances and smart textiles, giving the supreme priority to achieving profitability in FY2026



Hiroshi Tamura

Operating Officer, Division Manager, Functional Materials Business Headquarters



Business Outline and Overview

In the SUMINOE GROUP, the Functional Materials segment is in charge of areas other than those covered by the Interior Fittings segment and the Automotive Textiles and Traffic Facilities segment. With its focus also placed on non-textile areas, this business segment is the most enterprising in the Group. In the category of household appliances, the business handles electric carpets and blankets for use in autumn and winter, and in the category of non-household appliances, the business deals with bathroom flooring materials, deodorizing filters, etc. The

business works on provision of products centering on materials featuring value-added functions.

In the fiscal year ended May 31, 2025, net sales of the Functional Materials segment came in at 2,566 million yen. Although profits improved from the initial plan, the segment posted a loss of 124 million yen. It was partly because the market for household appliances, mainly for use in autumn and winter, was sluggish due to an unusually warm winter, etc. Another contributing factor was a decrease in orders for some models of floor materials for bathrooms owing to a quality problem.

Strengths and Issues Identified through Past Initiatives

In light of these situations, we have been working to reform the cost structure and review the business operations, with the objective of improving profitability and strengthening the organizational structure. If the factory in Vietnam, which is our main production base, produces only household appliances for autumn and winter, the factory will be busiest in summer but not busy in winter. For this reason, as part of its streamlining efforts, the factory is entrusted to produce products of other businesses so as to equalize the operating ratio throughout the year. Meanwhile, our Chinese base, which had continued to exist as a trading company, was disbanded at the end of 2024, so we reduced the fixed expenses, including personnel costs.

In the household appliance category, we have undertaken the development of products for spring and summer use, taking into account the seasonal trends in recent years. In the spring and summer market in 2025, we launched a cool touch mat used at bedtime, with the expectation that it would grow as our new key product.

In the category of non-household appliances, currently we have no mainstay product that will be a growth driver of the entire business. This is one of the issues confronting us. As for floor materials for bathrooms, we have completed measures to remedy the quality problem and will continue to receive orders. However, according to our medium- to long-term estimate of the market size, we will face some difficulties due to the decreased number of new housing starts, etc.

In all of the categories of fabric-coated heating products, deodorizing products, and food products, we cannot be optimistic about the situations. To recover from a deficit, it is urgently necessary for us to restructure the product portfolio so as to generate sustainable revenue.

Toward Achieving SGW STEP II –Prospects and Measures–

Under SGW STEP II, we uphold our divisional mission “Boldly embrace new business developments and help create new corporate value.” Based on this mission, each department and employee of the segment has set up their own missions. These departments and employees are encouraged to accelerate efforts to achieve their missions.

For the fiscal year ending May 31, 2026, we have re-established numerical targets by revising the initial targets, giving priority to solidification of the present revenue base. For fiscal year ending May 2027, we are planning to achieve net

sales of 3.39 billion yen and segment income of 0.17 billion yen, aiming to ensure that the business will achieve profitability after moving out of the red. To achieve these targets, we have clarified our focus on profitability. In the factory in Vietnam, we have changed the previous make-to-order production system, which gave priority to the utilization rate by securing production volume, to a new one that attaches importance to securing profitability. We have also released spring and summer items of household appliances, as stated above. Through these measures, we will further promote the smoothing of production.

At the same time, we are focusing on the development of new products. Taking smart textile as an example, we are in the process of developing “Swetty,” which is a wetness and dampness detection system, in collaboration with the Technology Development Center. Its possible practical applications include uses in controlling the water content in concrete and in wetness testing apparatuses in the civil engineering field. This system is expected to be a solution that will meet the need for on-site labor-saving. We also plan to start full-scale marketing of a filter product featuring a freshness-keeping function and an oral care product with functional claim approval within the fiscal year ending May 2026. Furthermore, a project is under way to develop a new product with an appealing environmental profile realized by using recycled paper, aiming at placing it on the market during the period of SGW STEP II.

The fundamental idea behind development of these new products is to achieve speedy commercialization by applying existing technologies rather than inventing from scratch. To this end, we will mobilize the manufacturing and technological resources available across the Group. Concurrently, we will expand sales channels by strengthening synergies with existing businesses, as exemplified by product development through collaboration with the Interior Fittings and the Automotive Textiles businesses.

Going forward, we will continue our efforts to build a lean yet resilient business structure by maximizing resources inside and outside the Company and collaboration with Group companies and external partners. The Functional Materials segment will fulfill its role by continuously venturing into a new realm while forging a solid footing.

Research and Development Strategies

Creating value unique to SUMINOE by bringing together the Group's technologies and human resources

Taro Hattori

Operating Officer, General Manager, Technical Development, Production Headquarters



Promoting the development of technologies and products that are environmentally and people-friendly based on the fundamental development philosophy "KKR+A"

Ever since its inception, the Group has been committed to research and development (R&D) of technologies and products that contribute to society. In 1998, the Group announced the Interior Environment Improvement Declaration and set forth its fundamental development philosophy, "KKR+A (Kenko [Health], Kankyo [Environment], Recycling and Amenity)." Based on this philosophy, the Group has pushed forward with the development of technologies and products that are environmentally and people-friendly while promoting interior environment improvements and the use of recycled materials.

Our core technologies that the Group has cultivated for many years include the following: textile production technology, which represents our original business; knitting production technology; coating technology; resource recycling technology; sensing technology; resin compounding technology; functionalization technology; and hard cotton processing technology. On the basis of these technologies, we have been putting our energies into the creation of technologies and products that are consistent with "KKR+A."

Under the Group's R&D system, the Technical Development, Production Headquarters plays a pivotal role. This Headquarters comprises the Technology Development Center, which conducts R&D, and Suminoe Techno Co., Ltd., which takes charge of production technologies and product development. In cooperation with development teams of the respective business segments, the Technical Development, Production Headquarters has been pursuing manufacturing that answers market needs.

Among various core technologies, functionalization, which here means adding specific functions to textile products, is one of our major pillars. For example, we have developedトリプルフレッシュ® (TRIPLE FRESH) treatment technology, which decomposes odor-causing substances in the air by catalysis, and "Vguard," an antibacterial/antiviral processing technology. By adding these functions to home interior products such as carpets, curtains, and wallpapers, as well as vehicle interior materials, our technologies contribute to creating comfortable spaces.

Another pillar of our initiatives is to expand the scope of our technology applications. In addition to diverse textile products, the Group has been working to develop resin materials used in

floor signage film for trains and in bathroom flooring, drawing on our expertise. In the course of meeting customer needs by using various technologies, we are expanding the scope of targeted areas for development.

Promoting product manufacturing leveraging technological capabilities of our factories and resource recycling-oriented development

The Technical Development, Production Headquarters strives for value creation through the integration of R&D and production, which is one of the Group's strengths. In Japan, the Shiga and Nara Factories are under the umbrella of the Technical Development, Production Headquarters. These two factories conduct manufacturing, taking advantage of their distinctive characteristics.

The Shiga Factory produces a continuous polyester fiber called "スミトロン® (SUMITRON)," which is a recycled material made from used PET bottles. It was originally developed as a pile yarn that imparts characteristics to carpet designs and textures. In recent years, we have worked together with the Automotive Textiles business to develop a market, where this recycled fiber has been adopted by Japanese automakers for their seat fabrics.

On the other hand, the Nara Factory has conventionally been engaged in mainly manufacturing of carpets. Its current mainstay products are carpet tiles used in offices, etc. The Company was the first in Japan to produce a square carpet with sides of 50 cm.

We also began to undertake recycling of carpet tiles ahead of others. Since more than a decade ago, the Group has produced and marketed ECOS®, eco-friendly carpet tiles under the horizontal recycling system, which is highlighted by reuse of PVC (polyvinyl chloride) resin produced from the backing of waste carpet tiles that have been collected for replacement. For ECOS®, we have established an in-house system that covers all processes, from designing a production method to assembling of equipment. This proves that this product is a culmination of the Group's technologies.

Aiming to create value in the textile area, making effective use of our tradition and human resources

While "enhancing non-textile areas" is one of the priority themes of the Medium- to Long- term Management Targets, I believe that it is also important that we differentiate ourselves from others in the textile area by developing better ideas and improving product

value. For example, TANGO TEXTILE Co., Ltd. is a Group company that has maintained traditional techniques for manufacturing hand-woven *dantsu* carpets. By combining mastery techniques and state-of-the-art equipment, the Company strives to create products that satisfy customer needs.

At the Shiga and Nara Factories, initiatives are also under way to improve skills of individual employees and inherit techniques of predecessors. We have established a system under which a skill map that summarizes each employee's skills is created so as to facilitate personal growth of individual employees.

In addition, we have been promoting an initiative called "Wakate-kai (lit. assembly of young employees)," intended to foster originality and ingenuity of first to third-year employees. In this initiative, individual members are encouraged to address specific themes of their own choice for one year. Members from different departments gather together to freely think and come up with ideas about research and products.

Moreover, the Group offers a "Mirai (lit. future) allowance" system, under which an allowance is granted to young and mid-level employees whose performance during the past year is highly evaluated and who are therefore expected to achieve further successful results in the next one year. The Technical Development, Production Headquarters has adopted a method of selecting the recipients from among those who have declared their candidacy. The recipients will be selected based on the evaluation of performance in the candidates' *Mirai* improvement activities on a theme that they have voluntarily decided.

As described above, we have worked to establish systems that stimulate employee motivation, through which we aim to help create new value.

Creating the next value by developing new products capitalizing on our proprietary technologies

Through the above-stated initiatives, the Group has created its unique value one after another. One of them is the development of sensing technology. We are developing "Swetty," a wetness detection system that reacts when a fabric is wet. This system will be helpful in knowing if a train seat is wet. It can also be used for urination detection for people who wear diapers. In addition, since the Swetty is capable of detecting not only wet and damp conditions but also dry conditions, it may be used as a water leak and dryness detection system. This technology is expected to find other various applications in many areas.

In terms of functionalization, the aforementionedトリプルフレッシュ® (TRIPLE FRESH) is one of the technologies that the Group is proud of. It can be used to process interior products, such as carpets, curtains and wallpapers as well as automotive interior materials, to impart functionality that enables repeated cycles of absorbing and decomposing odorous substances.

Additionally, our products under development include the human/object distinguishing sensor, which utilizes various electromagnetic waves existing in the environment. This is a fabric that can distinguish between people and objects, and this technology was developed by combining our proprietary wetness detection technology with university research results. Since the sensor itself does not require a power supply, it can be used as an energy-saving sensor. We are considering using this sensor in systems intended to prevent car seat belt malfunctions and leaving a child in a car.

In the future, we will remain active in developing technologies and products by mobilizing all available resources of the Group.

List of major technologies of the Technical Development, Production Headquarters

| Fundamental Development Philosophy | Core technologies | Element technologies | Technologies and products the Group has created based on its fundamental development philosophy | Business utilizing technologies and products |
|---|------------------------------------|--|---|---|
| Kenko (Health) (K) | Functionalization technology | Antibacterial and Bacteriostatic | Silver-bacterial, chitosan processing | |
| | | Antibacterial, antiviral | Vguard | |
| | | Allergen-adsorbing | アレラブロック® (ALLER-BLOCK) | |
| Kankyo (Environment) (K) | Functionalization technology | Absorbing and decomposing | Ethylene adsorption and decomposition processing | |
| | | Antifouling | Water-repellent and oleophobic processing | |
| | Resin compounding technology | Resin compounding | OH Film PH Film | |
| | | Multilayer lamination | Floor materials for bathrooms | |
| Textile and knitting production technology + sensing technology | Circuit and wiring / data analysis | Human/object distinguishing sensor | * Distinguishes between people and objects by utilizing electromagnetic waves flying around us. | |
| Recycling (R) | Kneading technology | Kneading | ECOS® series, eco-friendly carpet tiles under the horizontal recycling system | |
| | Resource recycling technology | Spinning | スミトロン® (SUMITRON), a recycled polyester fiber derived from PET bottles SEACLE, a nylon yarn recycled from discarded fishing nets | |
| | Utilization of biomass materials | Kneading | Wood flour-blended olefin sheet | * This product utilizes biomass materials to help lower the environmental impact by reducing CO ₂ emissions. |
| Amenity (A) | Resin compounding technology | Vibration-damping | Vibration damping sheet "burupita®" | |
| | Functionalization technology | Deodorizing | トリプルフレッシュ® (TRIPLE FRESH) | |
| | | Repellent | Antitick processing | |
| | | | Insect/mosquito repellent processing | |
| Textile and knitting production technology + sensing technology | Circuit and wiring / data analysis | Wetness and dampness detection system "Swetty" | * A fabric sensor using conductive yarns that measures wetness and dampness (a very low level of moisture) | |

Technologies under development Interior Fittings Automotive Textiles Traffic Facilities Functional Materials

Message from the Director in Charge of Finance

Aiming to achieve sustainable growth through improving profitability and enhancing capital efficiency

Hiroaki Usugi

Managing Director General Manager, Administration Headquarters



Review of fiscal year ended May 2025

Sales increased but profits remain an issue.

The consolidated net sales for the fiscal year ended May 2025 were 104.7 billion yen, a 1.3% increase from the previous fiscal year. This was due to the increase in sales volume of ordered automobile models in Japan and the steady capturing of the recovering demand for interior materials for railways and buses. In addition, in the Interior Fittings segment, the adoption of the eco-friendly carpet tiles under the horizontal recycling system, which the Group manufactures and sells, has been growing, including in office buildings, thanks to their increased recognition. This also contributed to the increase in net sales.

Operating income was 3.0 billion yen, about 10% lower than the previous fiscal year, though slightly exceeding the revised full-year earnings forecast released on April 11, 2025. The major factors for this result include sluggish sales of Japanese automakers in China due to the growth of local automakers in the Automotive Textiles business, delays in the launch of the new synthetic leather plant in Mexico, and failure to meet profit targets due to delays in order fulfillment. Meanwhile, in the Interior Fittings segment, we implemented appropriate price revisions, primarily for carpet tiles, which resulted in improved profitability.

Profit attributable to owners of parent was affected by foreign exchange loss of a consolidated subsidiary of approximately 400 million yen and costs of responding to system failures following a cyberattack of approximately 150 million yen, resulting in non-operating expenses of approximately 550 million yen in total. Furthermore, as a result of carefully examining the recoverability of deferred tax assets based on future business outlook and other factors, we partially reversed the deferred tax assets. As a result, profit attributable to owners of parent decreased by 23.4% from the previous fiscal year to 669 million yen.

Current status regarding Medium- to Long-term Management Targets

Securing profits based on the results of business restructuring is urgently necessary.

Medium- to Long-term Management Targets "SUMINOE GROUP WAY STEP II (2025-2027)" aim for an operating margin of 5.0%, ROE of 8.0%, and PBR of 1.0 times. However, the fiscal year ended May 2025 ended with an operating margin of 2.9%, ROE of 2.1%, and PBR of 0.5 times. Due to factors such as sluggish sales of Japanese automakers in China and delays in the launch of a new synthetic leather plant in Mexico, we are currently about a year behind the initial plan. However, restructuring of businesses in North and Central America is progressing steadily. Going forward, we are determined to achieve the final target figures of SGW STEP II by advancing efforts to improve profitability and enhance capital efficiency.

For fiscal year ending May 2026, we are planning to achieve net sales of 105.0 billion yen, operating income of 3.1 billion yen, ordinary income of 3.35 billion yen, and profit attributable to owners of parent of 1.5 billion yen. In Mexico, production of floor carpets for foreign automakers has begun. In addition, in-house production of synthetic leather is also expected to contribute to boosting revenues. Our biggest focus is on recovering investment in the Mexico plant, and we recognize that it is an important site for our future revenue expansion.

We recognize that the Interior Fittings segment is an important pillar for improving our revenues. In particular, we will enhance our lineup of mid- to high-end products targeting the wealthy, strengthen our branding, and focus on selling these high-value-added items. The Group is operating the space design business, which handles everything from spatial design to construction, while also working to expand our business targeting spatial design for high-rise condominiums, etc. This will help us improve profitability.

Responses to achieve business management with an awareness of capital cost and share prices

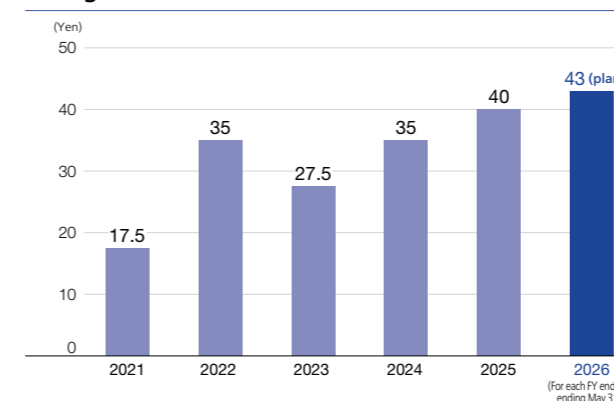
Focusing on enhancing shareholder returns and restoring trust in the capital market

Our ROE for the fiscal year ended May 2025 was 2.1%, which was below our recognized cost of shareholders' equity of 5-7%. PBR also remained at 0.5 times, and we believe that the primary factor behind this is the bottom-line profits falling below the planned level for two consecutive years despite a sales increase for the fourth consecutive year. Going forward, we intend to enhance information disclosure and address management challenges, thereby building relationships of trust with our shareholders and investors and securing appropriate evaluation in the capital markets.

Regarding shareholder returns, starting from the fiscal year ended May 2024, we have set a minimum dividend per share at 35 yen (after considering stock splits) while raising the dividend payout ratio from 33% to 38%. With the annual dividend for the fiscal year ended May 2025 set at 40 yen per share, we will continue to provide stable shareholder returns. For the fiscal year ending May 2026, we plan to pay an annual dividend of 43 yen. Furthermore, under our policy on shareholder returns, we aim to achieve our target annual dividend of 70 yen per share by the fiscal year ending May 2027. Regarding the effective use of treasury stock, we intend to take flexible action as necessary while taking into account the number of tradable shares. We will also continue efforts to reduce cross shareholdings and improve capital efficiency.

Regarding shareholder composition, thanks to the success of IR activities led by the Corporate Planning Department, as well as the effects of the stock split implemented in March 2025 and the expansion of shareholder benefits programs, the number of shareholders has increased to over 10,000. Meanwhile, the proportion of institutional investors is declining. To address this issue, we will steadily improve our business performance and enhance capital efficiency while maintaining stable dividends, thereby enhancing our reputation in the capital market.

Changes in Dividends



* A 2-for-1 stock split was conducted on March 1, 2025. The figures presented here reflect the adjusted values following the stock split.

Outlook for investment recovery

Generating concrete results from growth investments and improving capital efficiency

To achieve sustainable growth, we are advancing investments to strengthen our business foundation. During the fiscal year ended May 2025, we constructed a new synthetic leather plant in Mexico, invested in core systems, and implemented cybersecurity measures. Although these investments imposed a temporary burden, we believe they are essential for strengthening our future earnings base.

After the fiscal year ended May 2025, we plan to install a synthetic leather finishing line at our Thai site, scheduled to commence operations in the final year of SGW STEP II, and continue growth investments at our bases in India and North and Central America. Regarding M&A, while we currently have no plans for large-scale deals, we intend to build up relatively smaller deals, such as those related to the space design business.

Going forward, we will steadily translate these growth investments into tangible results while simultaneously reducing cross-shareholdings, with the aim of improving capital efficiency.

Dialogue with capital market

Aiming to enhance market valuation through dialogue with a broad range of investors

Placing importance on dialogue with the capital market, we intend to actively engage in IR activities. Through financial results briefings by the President, individual meetings with institutional investors by the Director and the Operating Officer in charge of IR, and other opportunities, we hold constructive dialogue with a broad range of investors. Additionally, as we continue to develop new technologies and products, such as water detection systems and sensors that distinguish between people and objects, which is being developed through industry-academia collaboration, we will strengthen our information dissemination through news releases and social media.

In the non-financial area, we place emphasis on communicating information through our integrated report and website. We will continue to proactively disclose information regarding environmental, social, and corporate governance matters. We believe these initiatives can be leveraged not only for communicating information to external stakeholders but also for internal goal management and oversight functions.

Finally, I would like to reiterate that going forward, we will enhance shareholder value and strive for a fair valuation of our stock price through a financial strategy focused on improving profitability.

Initiatives for Sustainability

Basic Approach to the Basic Policy on Sustainability and Related Policies

In the course of promoting ESG management, the SUMINOE 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 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. |

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.

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. 61). Chaired by the Representative and Managing 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 a meeting of the Board of Directors.

Present Situation of Promoting Sustainability


Since FY2023, we have formulated the Basic Policy on Sustainability and Related Policies, the Group Philosophy, and materiality in a planned manner.

In FY2025, the CSR Promotion Committee held discussions, placing focus on materiality formulation, initiatives for sustainable procurement, and other matters.

CSR Promotion Committee

| Membership composition | | Main subject | | | | | | | | | | | | | |
|---|--|--|--------------|---|---|--|-----------|--|---|--|---|--|---|-----|------------|
| Chairperson | Members* | Session no. | Year & month | | | | | | | | | | | | |
| Representative and Managing Director (General Manager of Administration Headquarters) | <table border="1" style="width: 100%; border-collapse: collapse; font-size: small;"> <tr><td>Headquarters & Administration Headquarters</td><td style="text-align: right;">6</td></tr> <tr><td>Automotive Textiles Business Headquarters</td><td style="text-align: right;">4</td></tr> <tr><td>Traffic Facilities Business Headquarters</td><td style="text-align: right;">1</td></tr> <tr><td>Functional Materials Business Headquarters</td><td style="text-align: right;">1</td></tr> <tr><td>Interior Textile Business Headquarters</td><td style="text-align: right;">3</td></tr> <tr><td>Technical Development, Production Headquarters</td><td style="text-align: right;">3</td></tr> </table> | Headquarters & Administration Headquarters | 6 | Automotive Textiles Business Headquarters | 4 | Traffic Facilities Business Headquarters | 1 | Functional Materials Business Headquarters | 1 | Interior Textile Business Headquarters | 3 | Technical Development, Production Headquarters | 3 | 1st | Sept. 2024 |
| Headquarters & Administration Headquarters | 6 | | | | | | | | | | | | | | |
| Automotive Textiles Business Headquarters | 4 | | | | | | | | | | | | | | |
| Traffic Facilities Business Headquarters | 1 | | | | | | | | | | | | | | |
| Functional Materials Business Headquarters | 1 | | | | | | | | | | | | | | |
| Interior Textile Business Headquarters | 3 | | | | | | | | | | | | | | |
| Technical Development, Production Headquarters | 3 | | | | | | | | | | | | | | |
| Secretariat | CSR Promotion Department 2 | 2nd | Mar. 2025 | | | | | | | | | | | | |
| Observers | <table border="1" style="width: 100%; border-collapse: collapse; font-size: small;"> <tr><td>Full-time Corporate Auditor</td><td style="text-align: right;">1</td></tr> <tr><td>Internal Auditing Department</td><td style="text-align: right;">1</td></tr> </table> | Full-time Corporate Auditor | 1 | Internal Auditing Department | 1 | 3rd | Jul. 2025 | | | | | | | | |
| Full-time Corporate Auditor | 1 | | | | | | | | | | | | | | |
| Internal Auditing Department | 1 | | | | | | | | | | | | | | |

* Operating officers, division managers, the manager class, and officers of respective Group companies.



Main subject details:

- FY2024 CSR plan, results and evaluation
- Plan for Group Philosophy training (2nd)
- Report on the Tsunagu lecture meeting (backup meeting) implemented
- Plan for harassment prevention training
- Definitions of skill matrix

- Report on internal branding activities
- Formulation of Group-wide measures and KPIs for materiality
- Activity goals for Eco Challenge 2027 and report on the results for the first half of FY2025
- Progress in calculation of GHG emissions (Scopes 1, 2, and 3) for the first half of FY2025

- Sharing of respective departments' missions
- Report on implementation of sustainable procurement in FY2025
- Report on implementation of Tsunagu-wa-cation
- Report on the results of the 2024 Working Style Reform Action Plan
- Report on the targets and results of the action plans based on the Act on Promotion of Women's Participation and Advancement in the Workplace
- Report on results of in-house legal study meetings in FY2025

Future activity policy

With the growing significance of sustainability issues, the number of subjects and deliberation matters to be discussed at the meetings of the CSR Promotion Committee has been increasing every year. For this reason, we made sure that all members of the Committee could take enough time to discuss each subject.

Going forward, the Committee will continue to hold substantial discussions on sustainability issues, report on the outcome to and propose matters for deliberation to the Executive Committee/CSR & Internal Control Council and to the Board of Directors. In so doing, the Committee will promote sustainability, which will lead to enhancement of our corporate value.

E

Environment

Preservation of the Global 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.”

Environmental management

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, the Group announced the “Second SUMINOE GROUP 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 Group will make concerted efforts to accomplish these objectives.

Fundamental Environmental Philosophy

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

Second SUMINOE GROUP Environmental Declaration – Under the Slogan of KKR+A

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

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

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

4 We shall promote the reduction of CO₂ emissions.
To play a part in realizing a decarbonized society, we will develop and provide low-carbon products based on the Life Cycle Assessment (LCA) method. LCA is intended to comprehensively and quantitatively evaluate the impact of manufacturing activities on the environment while taking into consideration the entire life cycle of products—materials, manufacturing, transportation, use, and disposal.

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.

Response to climate change issues

The Group considers climate change issues to be among its important business challenges. Global warming has caused various issues, including intensified natural disasters, resource constraints, and strengthening of regulations, having a non-negligible impact on the Group’s business continuity and supply chains.

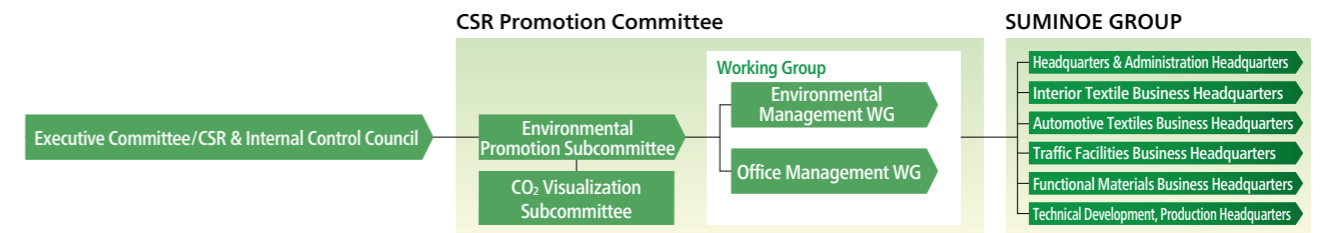
Meanwhile, we are aware that the transition to a decarbonized society will lead to the creation of new business opportunities and the promotion of innovation. Aiming to achieve sustainable growth while responding appropriately to climate change at the same time, the Group is implementing initiatives to reduce climate change-related risks and to help realize a decarbonized society.

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.

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.



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 FY2025 to FY2027, we have been working on “Eco Challenge 2027,” under the policy of the “SUMINOE GROUP WAY 2022-2024-2027.”

In April 2022, we established the SUMINOE 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.

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.

* For climate change-related risks and opportunities in the Group and analysis of their impacts on our business and financial performance, please visit the Company’s website. ▶ <https://suminoe.co.jp/en/csr/esg/env/attempt/>

Metrics and targets

1. Eco Challenge 2027

Eco Challenge 2027 covers the three years from FY2025 to 2027 and aims to reduce CO₂ emissions (per unit of sales) resulting from business activities by 3% from the levels of FY2024.

2. SUMINOE 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 major Japanese companies were added to the calculation. In FY2026, we also add seven overseas companies in the calculation. Currently, we are working on activities to disclose the emissions. After determining the actual conditions of Scope 3 emissions from the Group, we will discuss specific measures. Please refer to the section “Progress in calculation of Scope 3 GHG emissions” (p. 41).



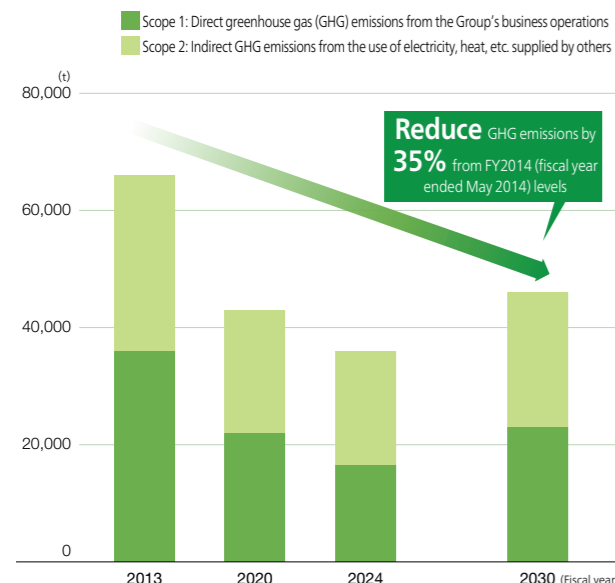
Environment

Target for Reducing Greenhouse Gas (CO₂) 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).

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.

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.

Introduction of Environmental Management System

The Nara Factory obtained ISO 14001 certification in fiscal 2001, making it the first in the Group to be awarded the certification on environmental management. Other operation sites have gradually followed suit. To date, five factories in Japan and one overseas have obtained ISO 14001 certification, and one factory Japan Eco Action 21 certification.

| | ISO14001: 2015 | | | | Eco Action 21: 2017 |
|-----------------------------------|----------------------------------|--------------------------------------|--|--------------------------------------|---|
| | Nara Factory, Shiga Factory | Teijin Tecloth 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) | 8th renewal completed (April 2025) | 7th renewal completed (July 2023) | 6th renewal completed (October 2024) | 6th renewal completed (July 2025) |

Initiatives to Reduce CO₂ Emissions (Scopes 1 and 2) Resulting from Business Activities

In December 2023, we introduced a photovoltaic power generation system based on the on-site power purchase agreement (PPA)* into the Nara Factory of Suminoe Techno Co., Ltd., a major factory in Japan. The power generated by this system has been directly used in the factory. In FY2025, photovoltaic power accounted for 5.7% of the total power consumption at the Nara Factory.

In addition, since FY2023, photovoltaic power generation systems have been installed at T.C.H. Suminoe Co., Ltd., an overseas production base, where the photovoltaic power usage ratio has reached 28.3%.

The Group will continue to encourage the introduction of renewable energy in order to reduce CO₂ emissions in our business activities.

* On-site PPA: A scheme in which a power generation facility is installed on a company's premises, and the power generated there is directly used by the company.

Progress in Calculation of Scope 3 GHG Emissions

In July 2023, the Group started the calculation of Scope 3 GHG emissions from six major Group companies in Japan^{*1}. In FY2025, we added to the calculation data from three production sites of two Group companies, i.e., Head Office Factory and the Ishikawa Factory of Owari Seisen Co., Ltd. and Teijin Tecloth Ltd. In this manner, we have proceeded with the calculation in stages.

As a result of the calculation for FY2025, annual Scope 3 emissions amounted to 470,000 tonnes of CO₂, with category 1 emissions (from purchased goods and services) accounting for 79%.

We plan to include data on seven overseas Group companies^{*2} in the calculation in FY2026. In doing so, we will continue to calculate Scope 3 GHG emissions.

*1 Six major Group companies in Japan: SUMINOE Co., Ltd., Suminoe Teijin Techno Co., Ltd., SUMINOE Interior Products Co., Ltd., RUNON CO., LTD., Suminoe Techno Co., Ltd., and Suminoe Logistics Co., Ltd.

*2 Seven overseas Group companies: Suminoe Textile of America Corporation, Bondtex, Inc., Suminoe Textile de Mexico, S.A. de C.V., SPM Automotive Textile Co., Ltd., Suminoe Textile Shanghai Co., Ltd., T.C.H. Suminoe Co., Ltd. and PT. Sinar Suminoe Indonesia

Promoting a circular economy

Viewing the realization of a circular economy as part of the value that we offer, the SUMINOE GROUP has for many years been working on manufacturing based on the concept of resource circulation. In response to the increasing environmental awareness, we have been accelerating the expansion of recycling-oriented products developed by leveraging our technology for recycling (R), which is one of the elements of "KKR+A," our fundamental development philosophy. Our flagship products include the ECOS® series, eco-friendly carpet tiles under the horizontal recycling system, which features both 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. The Group will continue to promote resource circulation throughout the entire product life cycle, aiming to contribute to the creation of a sustainable society and to enhance our corporate value.

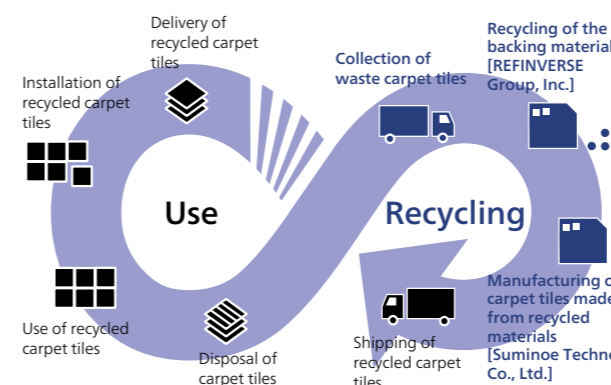
Establishment and Expansion of the ECOS® Recycle System, which Enables Recycling of otherwise Discarded Carpet Tiles

We have developed the ECOS® series, eco-friendly carpet tiles under the horizontal recycling system. For its production, we have established the ECOS® Recycle System, under which used carpet tiles, which were previously dumped in landfills, are collected and recycled into main raw materials to create new products. Since its launch in 2011, we have expanded the ECOS® lineup while improving the recycled material ratio^{*1} and the rate of avoided CO₂ emissions^{*2}. In 2022, the ECOS® LX series, a set of general-purpose nylon products that can be widely used in offices and commercial facilities, achieved a recycled material ratio of 72% and an avoided CO₂ emission rate of 49%. Since 2020, we have reduced the dyeing processes, which have significant environmental impact, by changing pile yarn of all the carpet tile products to solution-dyed yarn. As a result, we succeeded in reducing water usage, electricity usage and wastewater. 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 Group remains committed to improving resource efficiency and promoting cyclical use of resources, with the view of maximizing added value, in order to help realize a sustainable, low-carbon society.

*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)

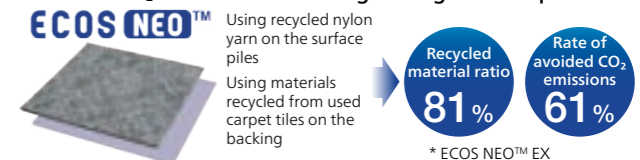


Recycled material ratio at the industry's top level

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



Expansion of Lineups of Recycling-oriented Products Using スミトロン® (SUMITRON) Continuous Fiber Made of Recycled Polyester

スミトロン® (SUMITRON) is a continuous fiber made of recycled polyester and uses polyester chips recycled from PET bottles as raw material by 50% or more. Its development project began with the objective of creating an "eco-friendly yarn" to enable the in-house manufacturing of carpet pile materials, and スミトロン® (SUMITRON) was finally born in 1989. Since then, it has been used as a material for interior carpets, mainly for household and contract use. In recent years, global environmental protection has become a pressing issue for people around the world. Against such a backdrop, スミトロン® (SUMITRON) has gained high acclaim for its features, including the recycling of used PET bottles, use of solution dyeing that reduces environmental impact arising from the dyeing process, and resistance to discoloration caused by friction. Highlighted by its environmental performance, スミトロン® (SUMITRON) has been finding broader applications, as exemplified by its adoption as a car seat covering material.

The yarn-making technology developed through the production of スミトロン® (SUMITRON) has been applied to SEACLE, a nylon yarn recycled from discarded fishing nets.



Environment

Initiatives for Eco Challenge 2027

Business activities conducted 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, and distribution, as well as disposal and recycling after use. For this reason, the Group is working on accurately assessing and continuously reducing the impact on the environment of all our business activities. In particular, we are committed to manufacturing environmentally friendly products through the active use of recycled materials, including polyvinyl chloride powder from used carpet tiles and raw cotton and polyester pellets from PET bottles.

The Group has formulated "Eco Challenge 2027," as a set of goals on activities regarding environmental issues. Under Eco Challenge 2027, which covers the three years from FY2025 to 2027, Group-wide efforts are being made toward the realization of a sustainable society.

Activity Goals and Results

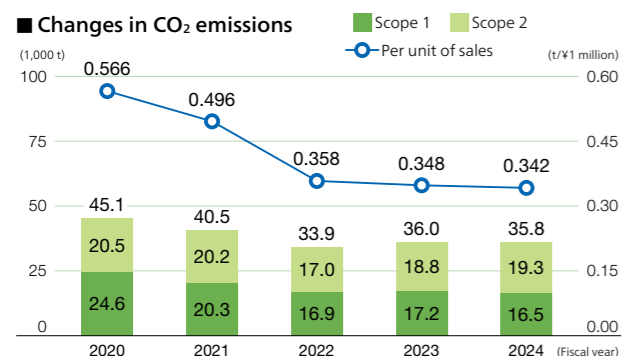
| Work areas | Indicator | Final numerical targets | Base FY | FY2025 numerical targets | FY2025 results | Evaluation |
|------------|---|--|-------------|----------------------------|-------------------|------------|
| 1 | Prevention of global warming | Reduction of CO ₂ emissions (energy consumption) | 2024 | Reduce by 1% (basic unit). | Reduced by 1.7% | ○ |
| 2 | Resources conservation | Increase in utilization rate of recycled resources (major factories in Japan*) | 2024 | Increase by 1% | Increased by 0.8% | - |
| 3 | 3Rs regarding waste material | Reduction of industrial waste | 2024 | Reduce by 1% (basic unit). | Reduced by 0.7% | - |
| | | Increase in recycling rate | 65% or more | 65% or more | 42.5% | - |
| | | Reduction in rate of waste disposed of in landfills | 10% or less | 10% or less | 40.0% | - |
| 4 | Prevention of environmental pollution | Air pollution control (reduction of N ₂ O emissions) | 2024 | Reduce by 1% (basic unit). | Reduced by 2.0% | ○ |
| 5 | Promotion of green activities | Increase in green purchasing rate for office supplies (in Japan) | — | 95% or more | 87.0% | - |
| 6 | Promotion of the development of environmentally friendly technologies | 3 cases | — | 1 case | 1 case | ○ |
| | Promotion of development of environment-friendly products | 9 cases | — | 3 cases | 2 cases | - |
| 7 | 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.
 * Major factories in Japan: Shiga Factory and Nara Factory of Suminoe Techno Co., Ltd., Teijin Tecloth Ltd., and Head Office Factory and Ishikawa Factory of Owari Seisen Co., Ltd.

Results for FY2025

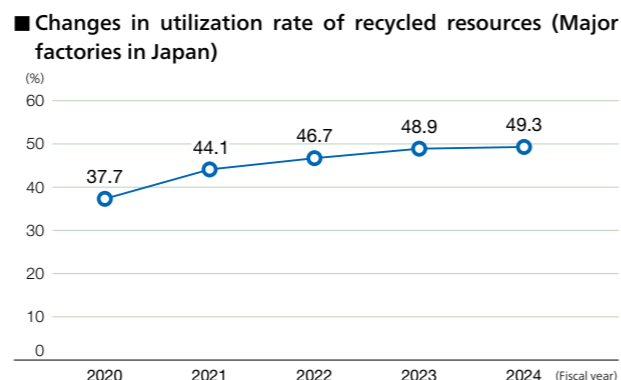
1 Prevention of global warming

We assess the impact of our corporate activities on global warming based on CO₂ emissions. In FY2025, we changed the breakdown of the total amount of emissions from Domestic and Overseas to Scope 1 and Scope 2.



2 Resources conservation

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

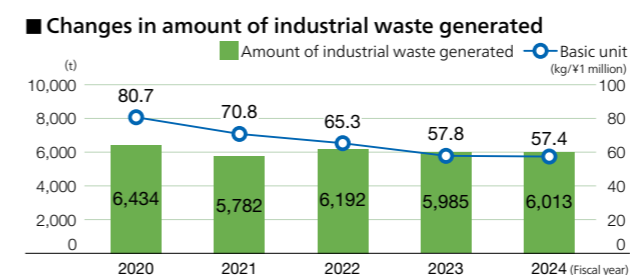


3 3Rs regarding waste materials*

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.

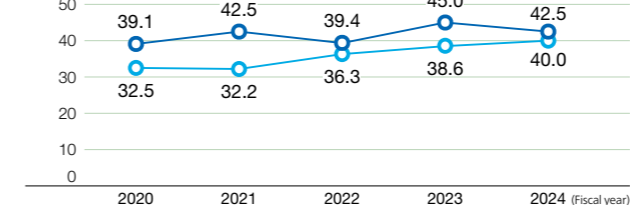
In FY2025, since production volume increased due to reinforcement of production facilities at overseas factories, the total amount of generated industrial waste increased. However, in terms of the basic unit, the amount of industrial waste decreased.

* Reduce, reuse, and recycle



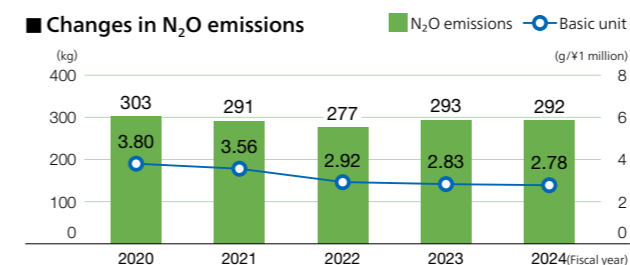
4 Prevention of environmental pollution

Among the atmospheric contaminants, nitrous oxide (N₂O) was used as an example to explain changes in air pollution.



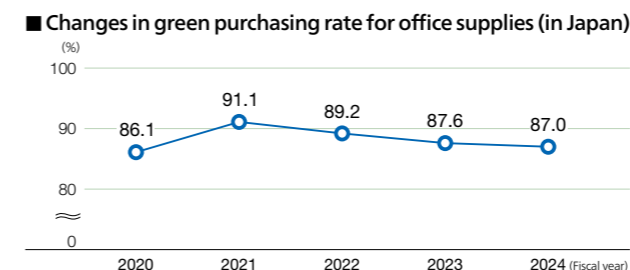
5 Promotion of green activities

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.



6 Promotion of development of environment-friendly technologies and products

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.



6 Promotion of development of environment-friendly technologies and products

Promotion of the development of environmentally friendly technologies

"Human/object distinguishing sensor"

Energy-saving sensing technology capable of distinguishing between humans and objects by using faint electromagnetic waves in a room, without requiring a power supply

Promotion of development of environment-friendly products

1. Expansion of lineup of curtains using recycled yarn

Curtains designed for medical, welfare, and educational contracts

"Contract Face vol. 21"

2. Participation in a project for development of a flooring material made from used paper

Collaboration with Marusan Paper Mfg. Co., Ltd. to develop a sustainable flooring material made from wastepaper for the BLUE OCEAN DOME at Expo 2025 Osaka, Kansai.

7 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 the Green Procurement Guidelines and the Sustainable Procurement 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.

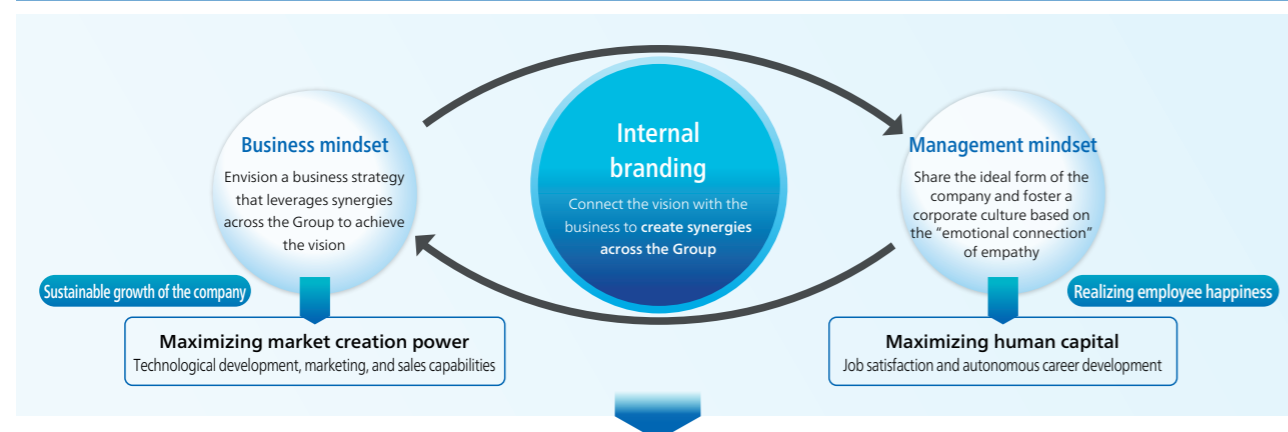
| Factory | Activity |
|---|---|
| Suminoe Techno Co., Ltd. Shiga Factory | Propagating the Sasayuri lily on the factory premises |
| Owari Seisen Co., Ltd. Factory at the head office | Helping protect fireflies as a supporting member of the Ichinomiya Heisei Firefly Association |

To Penetrate the 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 formulated the SUMINOE GROUP Philosophy.

Conceptual diagram of corporate value enhancement



Aim to enhance medium- to long-term corporate value

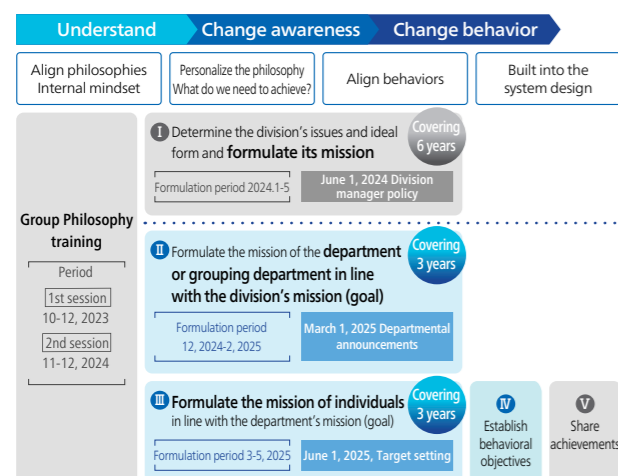
by working to achieve "sustainable growth of the Company" and "employee happiness" simultaneously

Purpose of penetrating the Group Philosophy

By ensuring that officers and employees will empathize with the Group Philosophy to help create a corporate culture that underpins our organizations and strengthen our organizational capacity, we aim to maximize the Group's market creation power and human capital and to enhance medium- to long-term corporate value.

Plan for penetrating the Group Philosophy

We promote internal branding based on curricula to foster understanding of the Group Philosophy and "change employee awareness and behavior."



In FY2025, in accordance with the plan, we formulated the mission of the department or grouping department **II** and formulated the mission of individuals **III**. As for establishing behavioral objectives **IV**, we added a new field for describing the mission of individuals to their "target management sheet."

Initiative to penetrate the Group Philosophy ①

Showing the videos on the "roundtable discussions among management members" at the second session of the Group Philosophy training

We held the second session of the Group Philosophy training, at which employees of each division were shown videos on the "roundtable discussions among management members." These videos were created by filming the roundtable discussions held for each division to help departments and individual employees formulate their missions with greater clarity. In addition, the videos for all divisions were posted on the intranet to make them available for viewing by all employees in order to provide them an opportunity to deepen their understanding of the Group, which has been one of our tasks to be addressed.

Themes of the videos on the "roundtable discussions among management members"

- Message from the President
- Views on the SUMINOE brand, respective divisions and future visions, expressed by the President and management members of each division



Main messages from the President and management members of each division

- Are we complacent with the legacies left by our predecessors?
- Question the status quo and ask yourself whether it is right or not, in an autonomous and constructive manner.
- Don't be afraid of failure, have a challenging spirit, and try aggressively.
- Use 80% of your ability to perform the task at hand and 20% to develop new thinking.
- Innovation comes in two types: improving currently existing things and creating something from scratch.
- Identify a turning point in business. When people are about to lose something, they think deeply about it, which will be an opportunity to build the next business model.
- The products we have produced will remain existent in people's daily life.
- We have a great mission of bringing comfort to people's living spaces. To fulfill this mission, let us improve our capability to generate new ideas.

Formulation of department missions

To achieve the divisional missions, based on the content of the "roundtable discussions among management members," each department considered its mission to fulfill and its ideal future state, both of which were summarized as a department mission. All these department missions were published on the intranet to make them available for viewing by all employees in order to provide them with an opportunity to deepen their understanding of the Group.

Example of department missions

- Suminoe Teijin Techno Co., Ltd. Design Department, R&D Center
Unlock the future of interior textiles for mobility spaces by offering designs that fascinate people around the world.

Formulation of individual employees' missions

After the formulation of department missions, individual employees considered what kind of mission they should fulfill to achieve their department mission and how it should be linked to their work in the future. Then each employee formulated his/her mission.

Initiative to penetrate the Group Philosophy ②

Questionnaire survey of employees

At the stage when the formulation of individual employees' missions was completed, we conducted a "questionnaire survey of employees regarding the penetration of the Group Philosophy (promotion of internal branding)." In the survey, we asked employees questions not simply to survey their awareness. These questions were also intended to provide employees with opportunities to think more deeply about the promotion of internal branding and encourage them to "change their awareness or behavior."

Findings from survey responses

The survey results showed that 93% of respondents understood the meaning of promoting internal branding, making such comments as "I came to think about how the Group Philosophy relates to my job" and "I have learned to consider my work in connection with enhancement of the Group's value." These comments indicate positive changes in employee awareness. Meanwhile, we can recognize gradual changes in employee behavior, which are revealed in their answers, such as "We have an increased number of opportunities for communication between departments and Group companies" or "Now I can respond to and behave appropriately in front of customers, in line with the Philosophy." However, many respondents replied that "There is no particular change in my behavior," so we have found that our internal branding was not yet sufficient in facilitating behavioral changes of employees.

To enhance corporate value

We will continue to promote internal branding across the Group and strive to enhance our corporate value by leveraging the comprehensive strength of the Group.

Major initiatives in the future

- Regularly send messages from management members.
- Provide opportunities to deepen understanding of the Group.
- Share achievements of activities based on the Philosophy and brand.
- Provide opportunities for inter-departmental communication on the themes of the Philosophy and brand.
- Regularly hold discussions between departments.

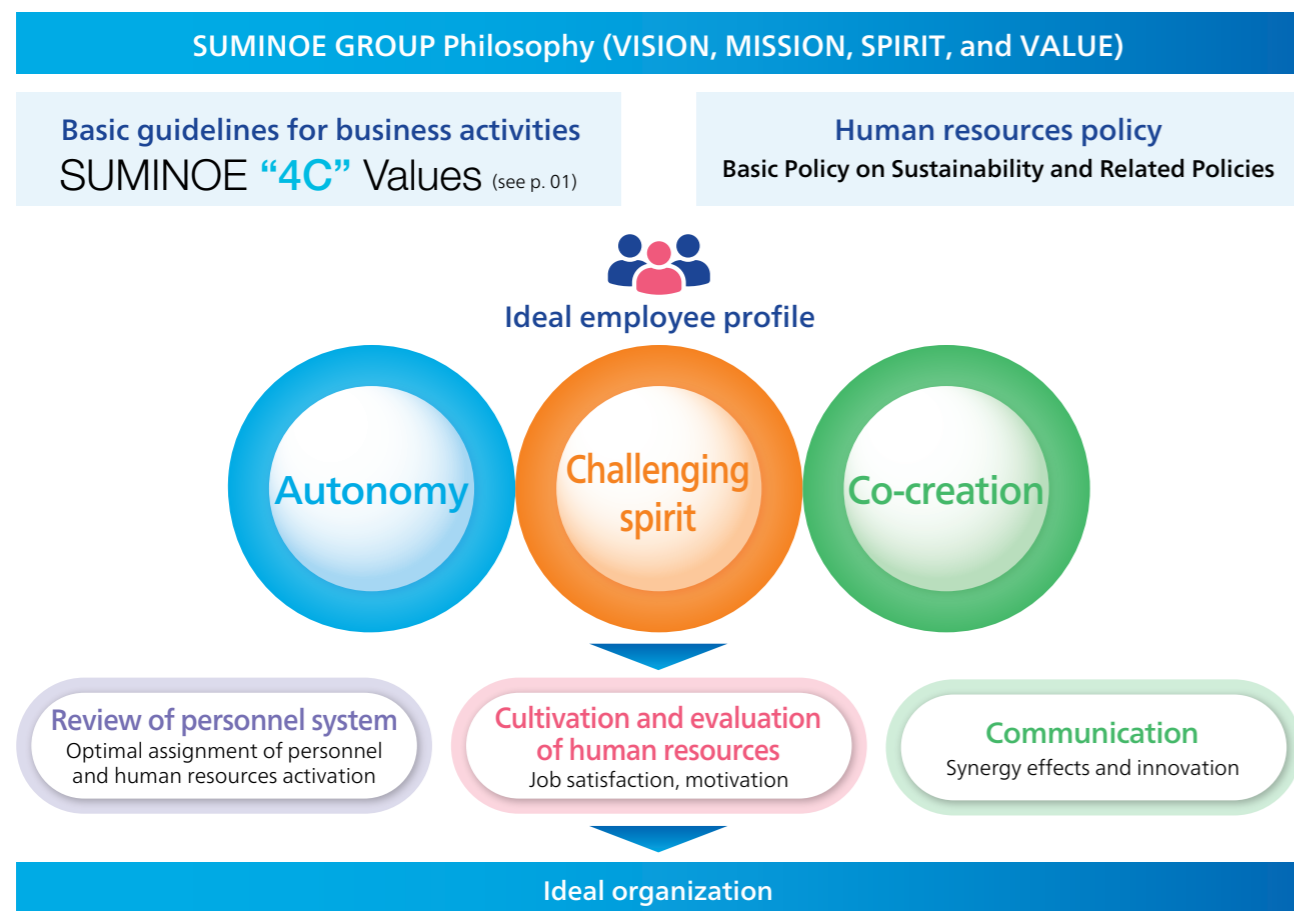


Social

Human Resources Strategy

We will create an organizational culture where diverse human resources can work with motivation and thrive in a safe, secure environment.

Human resources strategies to create an ideal organization



Ideal employee profile for SUMINOE

| | 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 |

Human Resources Development and Activation

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.

Education centering on the ideal employee profile

We have linked the skill improvement training program with the self-development training program in order to realize the "ideal employee profile for SUMINOE," which was defined in FY2024.

Particularly regarding "co-creation," in FY2025, we provided skill improvement training focusing on enhancing communication and facilitation skills of employees. By offering such training and through other means, we support individual employees in developing their capabilities so that they can contribute to creating value throughout the entire organization.

Education system

| | Level-based | Role-based | Selective | Selective (for self-development) | | |
|---------------------|---|---|--|----------------------------------|-------------------|------------|
| Managers | Management training | Evaluator training OJT instructor training | Skill improvement training (theme-based) | Correspondence course | Language training | e-learning |
| Mid-level employees | Supervisor training Leader training | | | | | |
| Young employees | Training for third-year employees Training for second-year employees Training for new employees | | | | | |

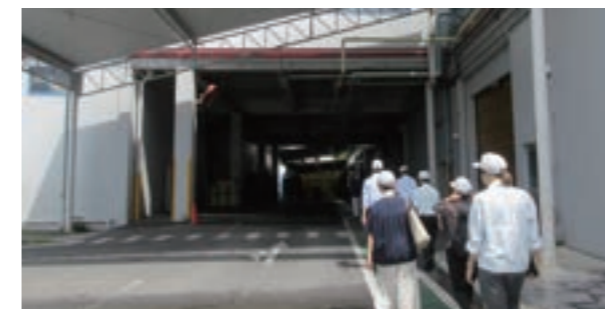
Number of employees undergoing training

FY ended May 2025

| | Total | Male | Female |
|---|-------|------|--------|
| Level-based, role-based, and skill improvement training | 327 | 224 | 103 |
| Correspondence courses, language training, and e-learning | 127 | 76 | 51 |

Initiatives to deepen understanding of manufacturing

Employees of various companies in the SUMINOE GROUP assembled at the Nara and Shiga Factories of Suminoe Techno Co., Ltd. for observation tours. This program included not only production site tours but also lectures delivered by on-site manufacturing personnel that were followed by a question-and-answer session, helping visitors broaden their imagination about products.



Initiatives to enhance managers' management capability

SUMINOE held a training program for all managers in Japan to follow up the management capability enhancement training.

During the follow-up training program, participants shared the contents of activities implemented at their workplaces after undergoing the management capability enhancement training. These trainees received lectures mainly on problems and issues that many of them found in the previous training sessions, and then they exchanged opinions among themselves and with the lecturers. Participants expressed such opinions as "Taking a follow-up session is more meaningful than just one training session," proving that the follow-up program was practical and meaningful.



Message from General Manager of the Personnel Department

Of the workforce of SUMINOE Co., Ltd, employees in their 50s and later account for more than 50%, and the percentage of re-employees in their 60s has been on the rise. Amid this trend, to ensure its future growth, the Company should continue to hire a certain number of new graduates and recruit mid-career workers with highly specialized skills (mid-career recruiting) as needed while raising the skill levels of the existing employees and promoting active utilization of Senior Employees. I believe that the same holds true for the SUMINOE GROUP affiliate companies.

The Personnel Department has formulated its medium-to long-term mission "Pursue the growth of the entire Group by implementing optimal personnel strategies and establishing environments and systems, aiming to creating a company where individual employees can enjoy working." To achieve this mission, we will make steady efforts to promote personnel rotations within and between departments to put the right person in the right job, develop a work environment and additional systems that support working styles with a focus on work-life balance, implement personnel evaluation systems that place emphasis on fairness, and revise the payroll system to ensure that employees can realize their own growth and advancement in their career.

Takashi Yamada

General Manager, Personnel Department, SUMINOE Co., Ltd.



Social

Human Rights and Labor

Approach to human rights

We recognize that the Group may have a negative impact on human rights directly or indirectly through its business activities. With this awareness, we established and announced the SUMINOE GROUP Human Rights Policy in June 2023, as a basic policy that clearly displays the Group's approach to respecting human rights of all people engaged in our business activities. The Group will work to fulfill its responsibility for respecting human rights by continuously implementing human rights initiatives.

Harassment prevention training

To create a comfortable work environment where employees can work with vigor, each year we provide harassment prevention training for Group companies in Japan.

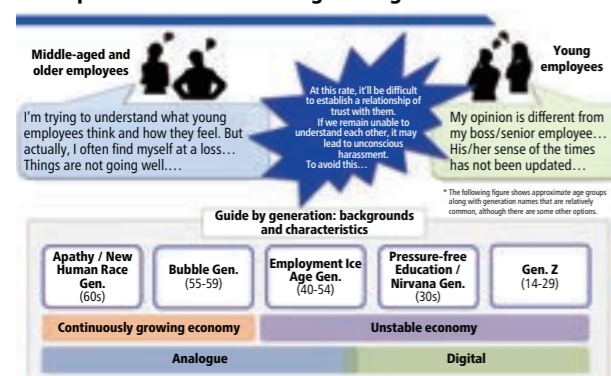
So far, this training has been held on various themes. In FY2025, we selected "Generation gap" as the theme, focusing on the fact that, due to differing times in which employees grew up, unconscious harassment tends to occur in a situation where they have some difficulty in understanding each other since what seems normal to someone might be different for others.

After the training, a questionnaire survey was conducted, whose results showed that 96.1% of trainees replied "It was useful." Their comments include "I was able to deepen my understanding of the generation gap, which I think will be helpful in preventing harassment at my workplace going forward."

We will continue to provide training in the future that will contribute to creating a comfortable work environment.

| Fiscal year | Themes |
|-------------|---------------------------|
| 2023 | Communication improvement |
| 2024 | Moral harassment |
| 2025 | Generation gap |

To deepen mutual understanding across generations



Source: Training material of Japan Institute for Women's Empowerment & Diversity Management

Diversity & Inclusion

Initiatives 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.

Based on the Act on Promotion of Women's Participation and Advancement in the Workplace, six Group companies in Japan established their action plans after analyzing the issues confronting each company.

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

| Company | Item | Target | Results for fiscal 2025 |
|-------------------------------------|---|----------------------------|-------------------------|
| SUMINOE Co., Ltd. | Ratio of new female graduates hired | 35% or higher | 36% |
| | Ratio of employees taking childcare leave by sex | Male: 100% Female: 100% | 100% 100% |
| SUMINOE Interior Products Co., Ltd. | Ratio of new female graduates hired | 40% or higher | 50% |
| | Ratio of employees taking childcare leave by sex | Male: 100% Female: 100% | 100% 100% |
| RUNON CO., LTD. | Ratio of female managers | 2% or higher | 0% |
| Suminoe Techno Co., Ltd. | Gender difference in length of continuous service | Less than 2 years | 1 year and 5 months |
| Suminoe Logistics Co., Ltd. | Ratio of female managers | 40% or higher | 37.5% |
| Owari Seisen Co., Ltd. | Monthly average overtime hours | Within 20 h | 1.4 h |

To achieve the targets, the Group has been promoting mainly the following three initiatives.

- 1 Actively illustrate at company briefings, recruiting sessions, etc. the Group's work environments where employees can comfortably work regardless of gender
- 2 Recommend female manager candidates to take a manager training program in order to support their career development
- 3 Through multifaceted measures, including distribution of the "work-life balance support manuals" throughout the Company and implementation of the Working Style Reform Action Plan, promote the establishment of a work environment where everyone can be successful (p. 52).

Employment of foreign nationals to expand diversity

The Group promotes diversity and inclusion and facilitates the creation of innovation by actively embracing diverse values and cultures.

In FY2025, the Group companies in Japan hired a total of nine foreign nationals.

We will continue active employment of diverse human resources and strive to create an organizational culture characterized by a global perspective.

Creation of a Rewarding Working Environment

The Group regards the promotion of omnidirectional communication as one of its important initiatives. We believe that smoothing human relations and information sharing at workplaces will lead to securing psychological safety, improving the Group's comprehensive strength, and enhancing employee engagement.

Tsunagu lecture meeting (backup meeting)

Concept and purpose of the initiative

With the purpose of enhancing the Group's comprehensive strength, we hold *Tsunagu* lecture meetings, with internal experts having a wealth of experience and track record invited as lecturers. At the meetings, participants listen to lectures about the skills, expertise and mindsets that have been handed down transcending the boundaries of generations and departments.

Content of the initiative

In FY2025, the meeting was held twice in the form of interviews with lecturers and distributed online to make these sessions available for viewing by all employees.

At the first session held on the theme "What I want to tell you based on my sales experience in the two segments of Interior Fittings and Automotive Textiles," Mr. Komagata (then Advisor) of the Automotive Textiles Business Headquarters took the platform. He talked about the differences between the two segments in their business characteristics and sales methods and about the mindset of a salesperson.

The second session was held on the theme "My experience working in the production division and overseas bases as well as serving as a corporate auditor, and what I expect of the SUMINOE GROUP in the future." Mr. Ichikawa (then Full-time Corporate Auditor) took the platform, and the General Manager of the Technical Development, Production Headquarters acted as an interviewer. Mr. Ichikawa talked about troubles he had at manufacturing sites and his experience of working abroad, going into depth during the dialogue. The lecture also included his suggestions about the importance of active human resources development to "accelerate global expansion" and "enhance non-textile areas," which are among the priority themes of the Group's Medium- to Long- term Management Targets.

Asked about their impressions of the lecture, some participants answered "It was very meaningful because I was able to receive valuable advice from a person with whom I usually have few opportunities to communicate" and "I want to make use of lessons learned from this lecture in my everyday work while maintaining a spirit of challenge into the future." Going forward, we will continue the *Tsunagu* lecture meeting, inviting internal experts having extensive experience as lecturers.



Tsunagu-wa-cation

Concept and purpose of the initiative

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 the *tsunagu-wa-cation* meeting with the purpose of building in-house networks and co-creation awareness of individual employees. To exchange information and opinions, the meeting brings together employees who have some relation to the theme that has been set up by the secretariat.

Content of the initiative

In FY2025, we held the Sales Administration Staff Exchange Meeting, the Exchange Meeting to Consider "Comfort" that the SUMINOE GROUP Aims for (Provides) and the Tokyo Branch (Gotanda Building) Exchange Meeting.

After these meetings, a questionnaire survey was conducted. Among opinions submitted by respondents was "I want to have many more opportunities for deep in-house exchanges like this." We will continue to hold these exchange meetings on various themes.

| Themes | Contents (excerpt) | No. of participants |
|---|--|---------------------|
| Sales Administration Staff Exchange Meeting | Daily routine, work flow | 18 |
| | What we place emphasis on in performing tasks | |
| | Knack for efficiently doing jobs | |
| Exchange Meeting to Consider "Comfort" that the SUMINOE GROUP Aims for (Provides) | When do you feel "comfortable" in work and private life? | 9 |
| | What do you think about the Group's fundamental development philosophy (KKR+A) and VISION (new comfort standard) ? | |
| | What kind of "comfort" do you wish to pursue in work? | |
| Tokyo Branch (Gotanda Building) Exchange Meeting | Explain the products, sales routes, and promotion methods of each division | 10 |
| | Introduce representative products | |





Social

Health and Safety

Strengthening health and safety activities to prevent occupational accidents

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 FY2025, participants shared the results of workplace safety diagnoses conducted at Suminoe Techno Co., Ltd. by a third-party organization in order for each company to utilize the findings in its safety and health activities. In addition, at our production sites, we put up a poster and banner bearing the safety slogan "We will go home in as good condition as when coming here in this morning!" under the new Group name. The safety slogan was formulated in response to the serious accident that occurred at the Shiga Factory of Suminoe Techno in December 2020.

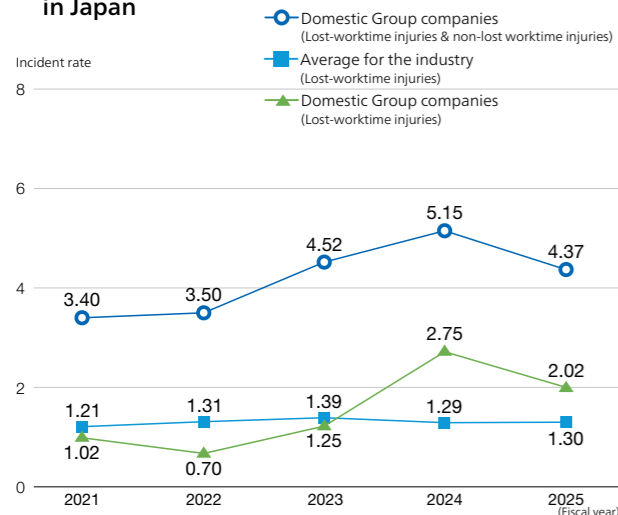
Occupational accident prevention activities at Suminoe Techno

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 FY2025, the company implemented training for SUMINOE GROUP employees working at the Nara Factory, using a simulation system that provided them 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.

Additionally, workplace safety diagnoses were carried out by a third-party organization at the Nara and Shiga Factories. The organization pointed out from a third-party perspective that unexpected danger may lurk even in routine work that we usually do without giving it too much thought. Based on this learning, Suminoe Techno will promote activities to further develop a safe and secure work environment while making sure again that there are no unsafe behaviors in the future.

Change in the incident rate* of Group companies in Japan



Source: 2024 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

Recognized as a "Certified Health & Productivity Management Outstanding Organization" for the second time in a row

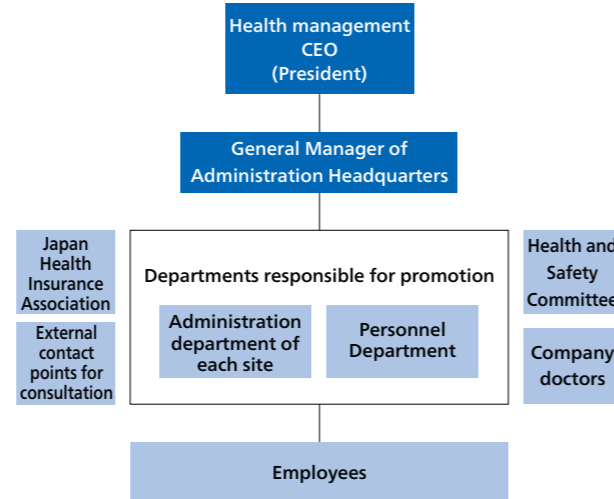
Based on the entire Group's Health Management Declaration, SUMINOE Co., Ltd. is committed to promoting health management under its health promotion system.

In FY2025, the Company carried out initiatives to achieve further improvements through opinion exchange with health management personnel of other companies and observation tours of medical examination facilities. For its achievements in these activities, the Company was recognized as one of the "Certified Health & Productivity Management Outstanding Organizations" for the second consecutive year.



The Company will henceforth implement walking events and other programs that can attract the interest of employees and their active participation, thereby enhancing their health awareness and work environments.

Health promotion system of SUMINOE Co., Ltd.



Holding health seminars on a regular basis

To enhance health awareness among employees, since 2022, the Company has held health seminars delivered by Company doctors four times a year. So far, a total of 11 seminars have been organized on various themes, such as "How to read health checkup results" and "Sleep and health." After the seminars, we have conducted questionnaire surveys, whose results have been used as a reference in planning and organizing the next seminar.

A number of participants expressed their positive impressions through comments such as "The seminar gave me an opportunity to review my daily lifestyle" and "I keenly realized the importance of physical exercise."

The Company will continue to hold health seminars, selecting various themes aiming at heightening employee awareness of health.

Work-Life Balance

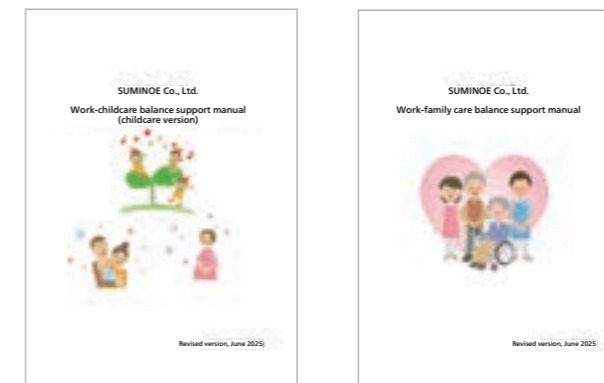
Enhancing support systems to achieve work-life balance

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 understanding of these systems among people around the system users.

| Item/sex | | FY2024 | FY2025 |
|-------------|---|--------|--------|
| Childcare | Number of employees who took family care leave | Male | 13 |
| | | Female | 14 |
| | Number of employees who reduced their working hours | Male | 2 |
| | | Female | 23 |
| | Number of employees who worked from home | Male | 37 |
| | | Female | 27 |
| Family care | Number of employees who took family care leave | Male | 0 |
| | | Female | 1 |
| | Number of employees who reduced their working hours | Male | 0 |
| | | Female | 0 |
| | Number of employees who worked from home | Male | 4 |
| | | Female | 3 |

Internal dissemination of work-life balance support manuals

We prepared "work-life balance support manuals" and have made them known across the Company in order to help individual employees accurately understand and appropriately use the employee support systems when needed. In these manuals, the details of various systems regarding child/family care, as well as the application procedures for these systems and examples of use, are summarized in an easy-to-understand manner. By doing so, we have strived to create an environment that enables employees to continue working with peace of mind.



Limited-area employee system

In our efforts to promote work-life balance, SUMINOE Co., Ltd. has 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 achieving a balance between work and life.

Working Style Reforms

Working Style Reform Action Plan 2024

Since FY2024, the Group has implemented the working style reform action plan, 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 FY2025 were not attained, we will further strengthen and continue these measures to achieve the targets for future years.

Working Style Reform Action Plan 2024

| Indicator | Target | FY2024 results | FY2025 results |
|--|--------|----------------|----------------|
| 1. Number of employees who worked 70 hours of overtime a month | 0 | 31 | 36 |
| 2. Use rate of annual paid leave | 70% | 63.6% | 57.4% |
| 3. Rate of male employees taking childcare leave | 100% | 68.4% | 90.9% |

Formulation and announcement of the Approach to Overtime Work

One of the three indicators in the Action Plan is the number of employees who worked 70 hours of overtime a month. As part of initiatives to achieve the indicator's target "0," the Company formulated the document "Approach to Overtime Work," which was announced to all the Group companies in Japan.

The Approach comprises three parts: ① explanation about the difference between statutory working hours and scheduled working hours, and other basic contents, ② explanation in response to questions from employees regarding work hours, and ③ explanation about each company's approach, for example, that values the results achieved by employees within a limited time, rather than quantitatively evaluating employees who work long hours. In preparing the Approach, we aimed not just to provide explanations about related laws and regulations, work rules and the like. We also devised ways to ensure that its contents would be easy to understand and friendly to employees by giving explanations in a Q&A form, which we created based on conceivable questions that may be asked by employees regarding their work, such as overtime hours, business trips, and holiday work.

Along with the above initiative, we have held study meetings on the basics of labor laws to foster employees' understanding of working hours.

We will continue to enhance work-life balance through measures to promote working style reforms.



Social

Product Safety and Quality

Produce and sell quality products and contribute to the improvement of society.

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. Taking advantage of the strengths of manufacturing that the Group has developed since its founding, we aim to assure product safety and establish and operate strict quality control systems.

Construction of the Quality Management System

Under the Basic Policy on Product Safety and Quality, the SUMINOE GROUP is making continuous efforts to secure product safety, increase customer satisfaction, and maintain and improve quality.

As part of this initiative, we have introduced a quality management system (QMS) in compliance with ISO 9001, which is a global QMS standard, and promoted continuous improvement activities across the Group. Moreover, for the Group's products and parts related to the automotive and aerospace industries, we have obtained certifications of IATF 16949 and JIS Q 9100, which are international QMS standards specific to these respective industries, in order to meet even higher quality requirements.

Based on these standards, we are putting our energies into strict production process control, reinforcement of measures to prevent non-conforming products, and establishment of traceability systems. Through these initiatives, we strive to visualize quality risks and standardize the work processes in each production field, aiming to further improve our quality assurance capability.

Acquisition of certifications for quality management systems

| Certified operation site | | Renewal date | Certification body |
|---|--|---------------|--------------------------------------|
| ISO 9001 | Suminoe Techno Co., Ltd. Nara Factory* | May 2025 | JSA Solutions Co., Ltd. |
| | Suminoe Teijin Techno Co., Ltd. | Jan. 2023 | JSA Solutions Co., Ltd. |
| | Teijin Teclath Ltd. | Jul. 2023 | Japan Quality Assurance Organization |
| | Owari Seisen Co., Ltd. | Jul. 2023 | Japan Quality Assurance Organization |
| | Suminoe Textile of America Corporation | Jan. 2023 | ANAB |
| | Bondtex, Inc. | Aug. 2024 | NSF ISR |
| | Suminoe Textile de Mexico, S.A. de C.V. | May 2025 | DQS GmbH |
| | Suminoe Koide (Thailand) Co., Ltd. | Mar. 2023 | INTERCERT |
| | PT. Suminoe Surya Techno | Jun. 2025 | Quay Audit UK Limited |
| IATF 16949 | Bondtex, Inc. | Aug. 2024 | NSF ISR |
| | Suminoe Textile de Mexico, S.A. de C.V. | May 2025 | DQS Holding GmbH |
| | SPM Automotive Textile Co., Ltd. | Dec. 2023 | NQA |
| | Suzhou Suminoe Koide Automotive Accessories Co., Ltd. | May 2024 | NSF ISR |
| | T.C.H. Suminoe Co., Ltd. | May 2024 | TÜV Rheinland |
| Suminoe Teijin Techno Krishna India Pvt. Ltd. | Aug. 2023 | TÜV Rheinland | |
| JIS Q 9100 | Functional Materials Business Headquarters of SUMINOE Co. Ltd. | Apr. 2024 | JIC Quality Assurance Ltd. |

* The Nara Factory of Suminoe Techno Co., Ltd. includes the Shiga Factory of Suminoe Techno Co., Ltd. and Nara Center of Suminoe Logistics Co. Ltd., as its factory and affiliated company, respectively.

Quality verification audit

To continuously maintain and improve the effectiveness of the quality management system, we conduct quality verification audits periodically.

In FY2025, 19 departments of 15 divisions, including Group companies, underwent quality audits to check the statuses of observing the specified procedures and recordkeeping for all the processes concerning product design, production, inspection and shipping.

Strict management of chemicals and hazardous substances

We have been in compliance with laws and regulations in Japan and overseas and set up a stringent management system, with the objectives of securing product safety while reducing environmental impact. As part of such efforts, we have required raw material suppliers to appropriately manage hazardous substances through the Green Procurement Guidelines in order to establish a sustainable supply chain.

In the future, we will continue to implement initiatives to prevent health problems and minimize environmental impact.

Sustainable Procurement

We will work with suppliers to help build a sustainable society.

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.

Promoting Sustainable Procurement among Suppliers

In June 2024, the Group formulated the SUMINOE GROUP Sustainable Procurement Guidelines (first edition). We also defined which suppliers will be selected as our sustainable procurement partners in December 2024. Since then, these Guidelines have been distributed to suppliers who meet the definition. We have requested these suppliers to understand the codes of conduct described in these Guidelines and asked their cooperation in establishing the necessary in-house system, which should be continuously managed and improved.

Requests to sign the "agreement" and answer the "sustainable procurement questionnaires"

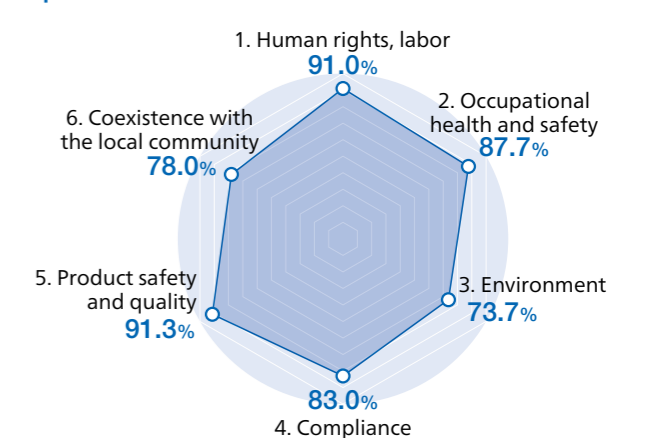
In conjunction with communicating these guidelines, SUMINOE Co., Ltd. requested its suppliers to sign a written "agreement" if they agree with the objectives and content of these guidelines. These suppliers were also requested to answer the "sustainable procurement questionnaires" so that both the Company and suppliers could understand the status of their initiatives. These questionnaires are intended to help suppliers identify the items for which their activities are insufficient and encourage them to take action to make improvements regarding these items.

Conclusion of "agreement" and response to the "sustainable procurement questionnaires"

Of 432 applicable suppliers, we concluded an "agreement" with 348 suppliers and collected answers to the "sustainable procurement questionnaires" from 353 suppliers.

| | Target (%) | Conclusion rate / response rate in FY2025 (%) |
|----------------|------------|---|
| Agreement | 80% | 80.6% (348 suppliers) |
| Questionnaires | 80% | 81.7% (353 suppliers) |

Status of suppliers' initiatives by item according to results of "sustainable procurement questionnaires"



Future initiatives

Going forward, we will continue to request cooperation in signing the "agreement" and answering the "sustainable procurement questionnaires" from suppliers who have not yet done so. Additionally, we are planning to broaden the scope of companies to which the same is applied in the SUMINOE GROUP.

Human Rights Due Diligence

Human rights due diligence is a continuous process to enhance the effectiveness of initiatives for respecting human rights. This 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 conducted a questionnaire survey to investigate the actual conditions in 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. Based on the survey results, we determined the risk ranking.

| | Risk ranking | Item | Average (on a scale up to 3) |
|----------|--------------|-------------------------------|------------------------------|
| In-house | 1 | Harassment | 2.50 |
| | 2 | Prohibition of discrimination | 2.73 |
| | 3 | Working hours | 2.74 |

Roundtable Discussion among President and Outside Officers



Hidesuke Amachi
Outside Corporate Auditor

Yumiko Oida
Outside Director

Tepei Nagata
President and
Representative Director

Haruo Shimizu
Outside Director

Kohei Nomura
Outside Director

Opinions about the Medium- to Long-term Management Targets "SGW STEP II"

Toward early realization of a return from the Company's largest overseas investments

Nagata Under SGW STEP II, the Company has been committed to thoroughgoing implementation of management that is conscious of the cost of capital. We are also pursuing overseas business expansion as one of the priority tasks. It is vital that capital investments in the synthetic leather area as well as factory operations in North and Central America and Thailand be linked to profitability improvement in order to achieve sustainable growth. Today, I would like to ask your candid opinions about how you evaluate the initiatives the Group has implemented so far and what it should strengthen in the future.

Shimizu Based on my own experience in managing a company, I would first like to point out that the Mexican base holds an extremely important position in the Company's growth strategies. In the automotive-related business, the Company made a bold investment in the synthetic leather area that has high future potential. It was a forward-looking judgement, and I highly evaluate this challenging decision. It can be said that now the Company has a "cash cow" in Mexico, which is a new market, at a time when there is limited room for growth in the Japanese market.

Although the Company has made considerable investment in the United States and Mexico, actually it is still difficult to say that now the Company is able to secure sufficient profits. The greatest challenge is how quickly this investment can be turned into a revenue base. I am also strongly aware that ensuring success of the investments

in Mexico holds the key to achieving the Company's sustainable growth and enhancing its corporate value.

Nagata As Mr. Shimizu pointed out, the Company has made the largest investments in the region, but in fact we have not yet been able to recover these investments. In particular, I keenly realize that although our U.S. base has achieved profitability, its accumulated deficit has been a factor contributing to lowering of the Company's corporate value and to sluggish operating margins. Accordingly, the greatest challenge is to offset the past debts and ensure investment recovery. Together with personnel of the Automotive Textiles Business Headquarters, we will definitely recover the investments while cultivating human resources so as to improve our corporate value.

Oida To ensure success in investments in Mexico and in other projects, thoroughgoing implementation of management that is conscious of the cost of capital is indispensable. In July 2025, the Company published an update to the "Action to Implement Management that Is Conscious of Cost of Capital and Stock Price." In the updated initiatives, the Company announced again its target rates of return as an operating margin of 5.0%, an ROE of 8.0%, and a PBR of 1.0 times. These numerical targets represent a strong message to investors, and I believe that the Company is advancing in the right direction.

However, the issue is how the Company can enable employees to realize and link the targets with their daily activities at actual worksites. If viewed from outside, this initiative looks like a compelling narrative. However, some mid-level employees may have difficulty in linking their jobs with the numerical targets and so may tend to think that

Boosting our corporate value by thoroughly strengthening governance to demonstrate our confidence in further growth to marketplaces

The Company has entered the latter half (STEP II) of the Medium- to Long-term Management Targets "SUMINOE GROUP WAY (hereinafter SGW)." Under STEP II, it needs to address multifaceted challenges, including thoroughgoing implementation of management that is conscious of the cost of capital, reinforcement of overseas bases, and sustainable enhancement of corporate value. Against this background, a "roundtable discussion on governance" was held among the Company's President, three Outside Directors and one Outside Corporate Auditor. They were engaged in a lively discussion on the validity of the management strategies, priority measures for the future, and the effectiveness of the governance system, from the viewpoints of experts in their respective fields of specialty.

"They are the responsibility of officers." Investment recovery is possible only on the premise of achieving improvement in operating income. In this sense, it is necessary to ensure that individual employees can understand the behavior that directly connects to capital efficiency improvement and be aware of their own roles. Corporate value enhancement cannot be achieved until the numerical targets have been sufficiently communicated to frontline personnel so that these figures are fully understood by all employees working on-site.

Nomura For the Company, achieving success in investments in Mexico is an absolute requirement. At the same time, it is necessary to not only consider business management from the perspective of P/L (statement of profit and loss) but also verify the way that capital is used from the perspective of B/S (balance sheet). In other words, the share price will not rise unless the Company clearly shows how many management resources it invests in what kind of business and how much profit it earns from the investment. The present condition where PBR is 0.5 times indicates that the latter perspective has not sufficiently been instilled in the Company.

In SGW STEP II, it is essential to uncover a new business and small but efficient revenue sources within the Company while focusing on ensuring success of our operations in Mexico. Creating a kind of self-financing system that encourages employees to voluntarily take on a challenge will provide a driving force for growth, as indicated by the case of a subsidiary that is efficiently making profits based on such a system. I believe that the Company can boost its corporate value by accumulating small successes while objectively determining investment of management resources and investment recovery.

Nagata As highlighted by Ms. Oida, the numerical targets of operating margin 5.0%, ROE 8.0%, and PBR 1.0 times are not easily understandable to individual

employees. Currently, the Group is implementing activities to incorporate the divisional missions, which have been formulated based on the Group Philosophy, into the targets of respective departments, grouping departments and individual employees. In these activities, discussions are taking place about branding and the creation of a corporate culture that encourages individual employees to change their mindsets and take on challenges.

Shimizu To succeed in overseas businesses, what is most important is to construct a business structure that enables factories to generate profits with reliability. I have learned from my experience that companies falling in the red share a common weakness in that they neglect to remedy low operational efficiency of equipment or in-process defects. Producing defective products is equal to throwing away money. We cannot accumulate profits without establishing a strict control system that eliminates in-process defects. Particularly regarding management of an overseas subsidiary, its supervision by a parent company is apt to be insufficient. However, if the Company can embed a culture that motivates employees to "finish it at any cost and continue until they succeed," it will be a strong driving force for SGW STEP II.

Nagata As Mr. Shimizu strongly emphasized it is important to embed a culture that encourages employees to "finish it at any cost and continue until they succeed." As top management, I will take his advice to heart. Next, Mr. Amachi, I would like to hear your opinion.

Amachi To ensure successful investments in Mexico, in addition to improving the corporate structure, human resources development is indispensable. Based on my past experience in managing a manufacturer, I believe that one of the major factors that determines the success or failure of the business is the presence or absence of human resources who can accurately evaluate technologies. When a new production technology is adopted, we need to carefully

Roundtable Discussion among President and Outside Officers

select the optimal one from among multiple options. Making the wrong decision will lead to a serious blunder. It is therefore all the more important to develop human resources who are well versed in R&D and production technology and so who are capable of accurate judgement based on their technical expertise. Although examples of failure are usually not visible, actually there is more failure than success. To hedge such a risk, I consider it essential to establish a system to recruit and appoint a person with specialist knowledge as a director.

Meanwhile, as we accelerate global business expansion, if overseas assignment is fixed to specific personnel, we cannot nurture new human resources, which will hinder organizational growth. In fact, I know other companies that have achieved positive results by establishing a system under which employees remaining in the same division for a long time are not considered for promotion, but those who have accumulated experience in working overseas or in different divisions are actively promoted. It is important for the Company to clarify the rules for personnel transfer and appointment and develop a system that requires many employees to gain overseas experience.



Nagata Thank you for your advice based on your experience as a company manager. It was very informative. To our regret, there is no denying that employees of the Company tend to avoid overseas assignment. In the present condition where employees can get a salary rise and promotion even if they have worked only in Japan, it is true that only a limited number of employees voluntarily take on an overseas assignment. However, we have also many cases where employees, mainly young employees, who were sent overseas achieved significant growth. In fact, the Group has dispatched a number of employees in their 30s to foreign countries. Even if they may feel perplexed initially, I am certain that their overseas experience will eventually prove beneficial for them. Going forward, we will actively develop global human resources by using short international assignments while preventing employees from getting stuck within a certain division.

What kind of initiatives are required for improving our corporate value?

The Group should review the defensive and offensive strategies with a view to future growth and take necessary measures in a speedy manner.

Nagata Next, I would like to discuss what is the most necessary initiative for the SUMINOE GROUP to enhance its corporate value. Could you please share your views in this regard?

Nomura In 2024, an information security breach occurred at overseas subsidiaries, although there had been no serious incident until then. At that time, the Company quickly responded to the incident and succeeded in preventing the damage from spreading. Nevertheless, I can find some room for improvement in the system for reporting on concrete details to the Board of Directors and outside officers. In business management, information is considered the fourth management resource following "human, physical, and financial resources." As such, the Company should make up its mind to pay appropriate costs for information protection. If the Company seeks perfection, these costs will increase endlessly. However, if it neglects security system maintenance, continuous inspections and personnel education, there is a risk of suffering substantial damage from a single incident.

In particular, for a total of 28 subsidiaries in Japan and abroad, it is important that the Company provides continuous training for employees, including local staff, to ensure their full compliance with the manuals. I also believe that it is effective that directors make in-person visits to operation sites and explain about the importance of security directly to local employees. Although information security does not immediately generate profits, it will yield "invisible benefits" that prevent damage and provide a base for protecting corporate value. Now is the time to put a higher priority on information security as a management issue.

Oida I think the greatest risk in running an overseas business is that the parent company does not always exercise sufficient control over its subsidiaries. It is a serious issue if the control is insufficient while the parent company has stationed employees overseas. Since the entire Group is managed on a consolidated basis, the parent company must be responsible for providing its subsidiaries with sufficient education and instruction. The parent company also should conduct inspections and take preventive measures against possible risks, assuming that "security incidents that have already occurred at other companies could certainly occur at the Company."

In particular, the issues of information security may not only negatively affect the personnel and production aspects but also undermine the financial and accounting foundations. The Company should not disregard risks of fraudulent manipulation of figures that are handled at a subsidiary. It therefore should reexamine its control system to ensure the accuracy of financial data. It will be

too late if the Company corrects a flaw after an incident has occurred. I strongly request the Company to take the initiative in implementing thoroughgoing measures before the occurrence of a security incident in the Group.

Shimizu In light of Director Nomura's comment on security issues and Director Oida's comment on parental control over foreign subsidiaries, I believe that the Group should first strengthen two initiatives—establishing a system to ensure that frontline employees' voices reach top management and building the immediate response capability of the Company's financial and accounting sections. If the whistleblowing system properly works, a warning from a worksite will be soon sent to top management, enabling early detection of misconduct or a risk. It is also vital that the Company establish a system that allows the parent company to appropriately oversee and instruct subsidiaries and if necessary, to swiftly intervene and stop the matter. I believe that interactive communication between frontline personnel and the parent company as well as effective control over subsidiaries will enhance the reliability of the entire Group.

Nagata Thank you for your frank opinion. I have to admit that, along with the expansion of our business divisions, the presence of our administration divisions has become relatively weak. As our net sales have grown from 60 billion yen to more than 100 billion yen, the business divisions have increasingly taken the lead in our organization, whereas the administration divisions have assumed a more passive attitude. However, with regard to issues related to information security and subsidiary control, it is vital that the administration divisions develop autonomous attitudes to fulfill their responsibility for addressing these issues. In the future, we will establish a Company-wide risk management system by reinforcing the administration divisions.



Amachi To protect corporate value, defensive strategies, including security and governance tactics, are indispensable, but these alone are not sufficient. To further enhance corporate value, it is extremely important to devise offensive strategies, in other words, to figure out how the Company should foster its brand.

When thinking of the brand, I believe that the Company needs to differentiate between brand name recognition

and brand value. Being known only by name is one thing, and being selected by customers is another. To put it another way, the Company should cultivate brand power that attracts customers who choose to purchase its products by paying much money. To enhance brand value, it is essential to build a system that prevents loss of value, in addition to initiatives to develop new products and maintain and further improve existing products.

What forms the foundation for these initiatives is the Group's VISION, MISSION, SPIRIT and VALUE, which individual employees should understand and put into practice in their daily operations. In addition, unifying the names and product names of Group companies under the banner of "SUMINOE" will heighten employees' brand awareness and provide all employees with the impetus for acting as brand ambassadors. I believe that spreading the Group Philosophy across the Group and promoting brand unification simultaneously is the path to be followed to enhance the Company's brand power in the truest sense.



Oida As stated by Auditor Amachi, it is true that fostering brand value within the Company is important, but it is also indispensable to develop its capability to disseminate it outside the Company. The Company takes strong pride in "producing high-quality products," and employees understand the value of their own work. However, my concern is that this is not sufficiently known outside the Company. In order to increase brand recognition, I recommend further strengthening the IR and public relations systems. The Company should nurture more employees who are skilled at public and investor relations within the Company and learn more actively from excellent examples of other companies. Even when performance is struggling, it is necessary for the Company not only to show the figures but also to pay attention to "in what way it should show the figures" and make improvements continuously. I believe that development of in-house human resources will lead to long-term brand enhancement.

Nomura In light of the comment by Auditor Amachi on brand value enhancement and Director Oida's recommendation about reinforcement of public and investor relations capabilities, I consider it crucial to have a perspective that connects brand value to shareholder value.

Roundtable Discussion among President and Outside Officers

The relationship between the brand value and share prices must be explained to shareholders and investors in an easy-to-understand manner. I think that the Company should disseminate clear messages such as “this division is one-of-a-kind” and “this product is highly profitable.”

If the Company increases the number of individual shareholders by offering a shareholder benefit program, this alone cannot raise the share prices. However, there are individual shareholders who continue to hold the Company’s shares for a medium and long term, say, three or five years. Their presence itself is one of the Company’s characteristics. I believe that the President should confidently present a concrete path toward achieving the challenging target of PBR of 0.5 times, without reacting nervously to short-term stock price fluctuations. When explaining the path, please carefully select clear and intelligible expressions so that investors are convinced of the Company’s continuous growth in the future, rather than using difficult-to-understand financial indicators.

For example, recently the Company’s moquette fabric for train seats was introduced on a TV program. This media exposure could have been swiftly used to encourage internal discussions as to the reason why our brand recognition is low. Developing this kind of approach is among what is needed by the Company. I believe that making such a prompt response will help increase brand recognition and obtain trust from shareholders, which will lead to higher share prices.

Nagata Having listened to your opinions, I keenly realize that human resources and the brand hold the key to success in improving our corporate value. As mentioned earlier, the Group is currently promoting internal branding and working to spread its Philosophy among employees so that individual employees can confidently talk about what type of enterprise the SUMINOE GROUP is and what the Group’s objective is. We are gradually beginning to see the results of these initiatives, which indicates that the seeds we have sown for profitability improvement are starting to bear fruit.

One of our future tasks is to identify how we should communicate these initiatives to shareholders, investors and markets. Although there is still a long way to go before reaching the numerical targets for PER and PBR, I think that the Company should provide explanations using more proactive expressions, believing in the Company’s growth potential. Together with employees, we will move ahead to realize enhancement of our corporate value that is convincing to shareholders and investors.

Effectiveness of the governance system

“If we are to do it, we should do it thoroughly.”

Toward the realization of governance supported by frontline workers and numerical data

Nagata The other day, we collected your answers to the questionnaire survey on the effectiveness of the Board of Directors and reported on the results to you all. Based on the results, finally, I would like to hear your opinions again



on the effectiveness of the Company’s governance system.

Nomura Reinforcement of the governance system is another important challenge to be addressed to achieve sustainable growth in the future. In the present condition, although the basic framework of the system has been established, I feel the necessity to devise ways to increase the effectiveness in operating the system. From the viewpoint of diversity, first the Company should appoint a person with experience in working in technology and production departments as an officer and appoint a female manager as an operating officer. As for meetings of the Board of Directors, progress of the meetings must be strictly managed to clarify “who is responsible for improvement, and by when.” As a manufacturer, it is indispensable for the Company to cultivate a “Bad News First” culture so that bad news, such as defects and occupational accidents, is reported to management as soon as possible.

Moreover, to strengthen control over subsidiaries, “management by walking around” is effective, under which senior management visits operation bases in person to communicate directly with local employees. In addition, the Company should complete the restructuring of core system as scheduled and ensure smooth operation of these systems. I believe that accumulation of each of these initiatives will form a base for enabling the governance system to perform its function in a true sense.

Amachi I am aware that the objectives of governance are fourfold: 1) ensure the soundness of management, 2) improve transparency, including information disclosure, 3) fulfill accountability, and 4) ensure sustainable growth of corporate value. I recognize that on the whole the Company has taken specific measures, which are steadily progressing.

However, one point to note is that, since many of the Group companies are small in scale, a considerable number of personnel are required for auditing and business execution at respective sites, causing a dispersion of management resources. This may result in reduced efficiency and incur a waste of management resources. To avoid such concerns, it is necessary to examine the possibility of integration and reorganization of existing subsidiaries and hold wide-ranging discussions on future M&A activities, including alternative plans.

Oida Taking into account the opinions of Auditor Amachi

and Director Nomura, I would like to emphasize the importance of the figures that support business management. For business managers to make the right decision, it is essential to establish a system under which the administration divisions assist the business divisions to provide management with necessary numerical data in a timely manner. It is the business divisions that actually produce profits. However, if reporting on the figures that support the management decision is delayed or information is insufficient, risk management and decision-making will not work.

In particular, it is essential that overseas subsidiaries be kept under firm control of the parent company so that the actual conditions of these subsidiaries can be accurately grasped through numerical data. The Company should develop and recruit human resources who can appropriately deal with figures and ensure that frontline and backline personnel work in unison. I believe that it is the quickest way to the enhancement of governance.



Shimizu With regard to enhancement of governance, what is most important is top management’s determination that “If we are to do it, we should do it thoroughly.” Halfway measures have no effects, and governance awareness

can be widespread only after thoroughgoing measures are taken. In the past, I ran a company, which formulated common rules shared across the group, requiring employees to strictly observe the basics for improving workplace efficiency, such as 5S (*Seiri* [sort], *Seiton* [set in order], *Seiso* [shine], *Seiketsu* [standardize], and *Shitsuke* [sustain]) and 5T (*Teii* [set position], *Teiryō* [set quantity], *Teiji* [set time], *Teishi* [set form], and *Teishitsu* [set quality]). The company also established clear standards for working speed, such as “within two days” and “within two hours.” Furthermore, the company unified designs of uniforms, facilities and the like so as to enhance the sense of oneness and efficiency across the entire organization.

Although these initiatives entail certain costs, they will produce compatibility and transparency, resulting in strengthening of the organization’s leadership. In the long run, whether or not the Company can make governance effective depends on whether or not top management will seriously go through with it.

Nagata I would like to express my sincere appreciation to the outside directors and outside corporate auditors for sharing your valuable and candid opinions. In today’s discussion, I received many comments pointing out the same issues that I myself am aware of in daily life. While I reaffirmed that the Group is moving forward in the right direction, I also keenly realized the issues that remain insufficiently addressed.

As Director Shimizu pointed out, halfway measures cannot yield results. To borrow his words, “if we are to do it, we should do it thoroughly.” Taking this approach, we will strive to enhance the functions of the administration divisions, develop human resources and promote young employees, appoint directors with technical backgrounds, and resolve other various issues in a steady and step-by-step manner. I promise that the SUMINOE GROUP will achieve further growth by definitely turning your advice into action.



Governance

Enhancing Governance

We will build a foundation of corporate trust by ensuring transparency.

Enhancing Corporate Governance

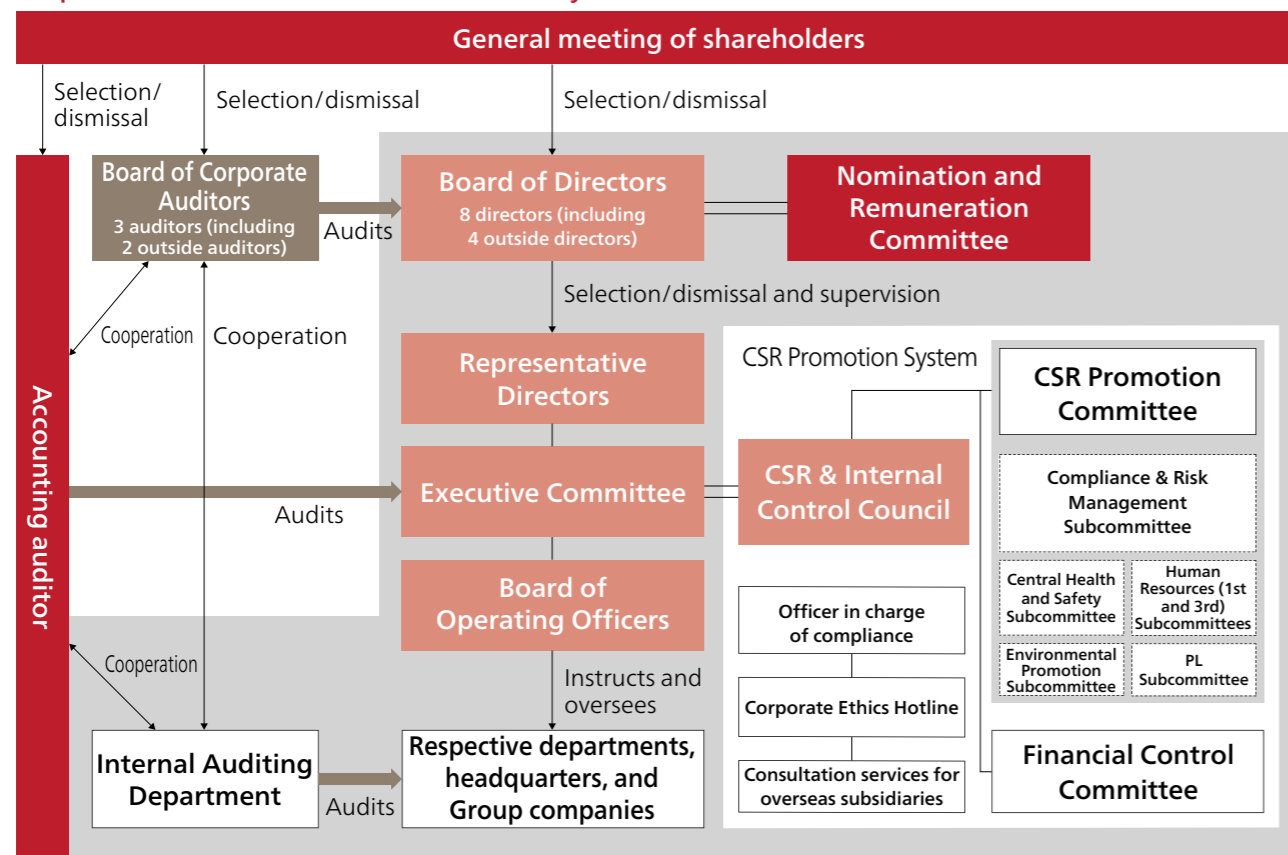
Basic approach to governance

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. We will also work to enhance corporate value to ensure continuous and stable profits. As we appoint outside

directors and seek to strengthen the functions of the corporate auditor 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 the end of May 2025



Subcommittees of the CSR Promotion Committee

| Subcommittee | Major activities |
|---|---|
| Compliance & Risk Management Subcommittee | Identify compliance issues and significant risks of each division |
| Central Health and Safety Subcommittee | Promote health and safety activities |
| First Human Resources Subcommittee | Understand actual conditions of working hours and promote improvements |
| Third Human Resources Subcommittee | Revitalize human resources and discuss countermeasures against harassment |
| Environmental Promotion Subcommittee | Promote environmental management |
| PL (Product Liability) Subcommittee | Promote the product liability system and product safety |

Board of Directors

The Board of Directors, consisting of eight directors (including four outside directors), oversees business execution and makes decisions on important matters.

Main matters discussed in FY2025

- Evaluation of the effectiveness of the Board of Directors
- Response to cyberattacks on the subsidiaries in the U.S. and Mexico
- Progress in materiality initiatives
- Establishment of Bondtex Lamination de Mexico, S.A. de C.V.
- Plan for introducing synthetic leather production equipment to T.C.H. Suminoe Co., Ltd.

Attendance at board meetings

As of May 31, 2025

| Title | Name | Attendance at board meetings |
|---|-------------------|------------------------------|
| President and Representative Director | Teppey Nagata | 100% (9/9 times) |
| Managing Director and Representative Director | Hiroaki Usugi | 100% (9/9 times) |
| Director | Norihisa Murase | 100% (9/9 times) |
| Director | Kazuaki Suwa* | 100% (7/7 times) |
| Outside Director | Haruo Shimizu | 100% (9/9 times) |
| Outside Director | Kohei Nomura | 100% (9/9 times) |
| Outside Director | Yumiko Oida | 100% (9/9 times) |
| Outside Director | Yuko Shibuya | 100% (9/9 times) |
| Full-time Corporate Auditor | Kiyokazu Ichikawa | 100% (9/9 times) |
| Outside Corporate Auditor | Takafumi Katayama | 100% (9/9 times) |
| Outside Corporate Auditor | Hidesuke Amachi* | 100% (7/7 times) |

* Appointed in August 2024

Board of Corporate Auditors

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 attends important internal meetings such as those of the Executive Committee and the Board of Operating Officers, reviews important documents, such as approval documents, conducts on-site audits of executive departments, cooperates with the internal auditing unit (Internal Auditing Department), learns about and exchanges opinions on the audit results from the accounting auditor, and regularly holds 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 situations of meetings of the Executive Committee and the Board of Operating Officers, as well as internal audit situations to share information.

Main matters discussed in FY2025

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

Attendance at Board of Corporate Auditors' meetings

As of May 31, 2025

| Title | Name | Attendance at Board of Corporate Auditors' meetings |
|-----------------------------|-------------------|---|
| Full-time Corporate Auditor | Kiyokazu Ichikawa | 100% (9/9 times) |
| Outside Corporate Auditor | Takafumi Katayama | 100% (9/9 times) |
| Outside Corporate Auditor | Hidesuke Amachi* | 100% (7/7 times) |

* Appointed in August 2024

Executive Committee/CSR & Internal Control Council

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

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

Main matters discussed in FY2025

- Definition of skill matrix
- Materiality measures and their progress, and plan for monitoring indicators
- Attempted phishing email fraud at Suminoe Textile of America Corporation
- Compliance manual with antitrust laws
- Harassment and other issues reported and consultation provided to address the reported issues












Nomination and Remuneration Committee

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.

Governance

Directors and Auditors (as of August 28, 2025)

| |  |  |  |  |  | |  |  |  |  |  |  |
|------------|--|--|--|---|---|--|---|---|--|--|---|---|
| Name | Tepei Nagata | Hiroaki Usugi | Noriyoshi Murase | Kazuaki Suwa | Haruo Shimizu | | Kohei Nomura | Yumiko Oida | Kyoko Kato | Hirofumi Kawanishi | Hidesuke Amachi | Toshihiko Miyamoto |
| Title | President and Representative Director | Representative Directors Managing Director | Director | Director | Outside Director (Independent Director) | | Outside Director (Independent Director) | Outside Director (Independent Director) | Outside Director | Full-time Corporate Auditor | Outside Corporate Auditor | Outside Corporate Auditor |
| Age | 68 | 61 | 64 | 64 | 78 | | 77 | 58 | 58 | 62 | 68 | 60 |
| Tenure | 8 years | 5 years | 3 years | 1 year | 9 years | | 7 years | 4 years | - | - | 1 year | - |
| Background | <p>April 1980 Joined the Company.</p> <p>August 2012 Operating Officer General Manager, Functional Materials Business Headquarters</p> <p>November 2016 General Manager, Corporate Planning Department, Administration Headquarters General Manager, CSR Promotion Department</p> <p>August 2017 Director Senior Operating Officer</p> <p>August 2019 General Manager, Interior Textile Business Headquarters</p> <p>President and Representative Director, SUMINOE Co., Ltd. (now SUMINOE Interior Products Co., Ltd.)</p> <p>August 2021 President and Representative Director (present) Chairman and Representative Director, SUMINOE Co., Ltd. (now SUMINOE Interior Products Co., Ltd.)</p> | <p>April 1986 Joined the Company.</p> <p>August 2010 General Manager, Accounting Division, Administration Headquarters</p> <p>August 2017 General Manager, Purchasing Department, Administration Headquarters Operating Officer</p> <p>August 2019 Senior Operating Officer (present) Deputy General Manager, Administration Headquarters</p> <p>January 2020 General Manager, Corporate Planning Department, Administration Headquarters</p> <p>August 2020 Director</p> <p>August 2021 Managing Director and Representative Director (present) General Manager, Administration Headquarters (present)</p> | <p>April 1983 Joined the Company.</p> <p>June 2007 Manager, Sales Department, Kinki Block, SUMINOE Co., Ltd. (now SUMINOE Interior Products Co., Ltd.)</p> <p>July 2007 General Manager, Kinki Block, SUMINOE Co., Ltd. (now SUMINOE Interior Products Co., Ltd.)</p> <p>August 2020 Operating Officer</p> <p>August 2021 Senior Operating Officer (present) Deputy General Manager, Interior Textile Business Headquarters</p> <p>President and Representative Director, SUMINOE Co., Ltd. (now SUMINOE Interior Products Co., Ltd.) (present)</p> <p>Department Manager, Sales Department, SUMINOE Co., Ltd. (now SUMINOE Interior Products Co., Ltd.)</p> <p>August 2022 Director (present) General Manager, Automotive Textiles Business Headquarters (present)</p> <p>President and Representative Director, Suminoe Teijin Techno Co., Ltd. (present) CEO, Suminoe Textile of America Corporation (present) Chairman, SPM Automotive Textile Co., Ltd. (present) CEO, T.C.H. Suminoe Co., Ltd. (present)</p> | <p>April 1983 Joined the Company.</p> <p>September 2005 General Manager, East Tokyo Sales Department, Automotive Textiles Business Headquarters</p> <p>July 2006 General Manager, Overseas Sales Department, Automotive Textiles Business Headquarters</p> <p>August 2020 Operating Officer</p> <p>August 2021 COO, Suminoe Textile de Mexico, S.A. de C.V.</p> <p>April 2022 COO, Suminoe Textile of America Corporation</p> <p>CEO, Suminoe Textile de Mexico, S.A. de C.V. (present)</p> <p>August 2022 Senior Operating Officer (present)</p> <p>August 2024 Director (present) General Manager, Automotive Textiles Business Headquarters (present)</p> <p>President and Representative Director, Suminoe Teijin Techno Co., Ltd. (present) CEO, Suminoe Textile of America Corporation (present) Chairman, SPM Automotive Textile Co., Ltd. (present) CEO, T.C.H. Suminoe Co., Ltd. (present)</p> | <p>February 1970 Joined Daikin Mfg. Co., Ltd. (now Exedy Corporation)</p> <p>June 1994 Director, Daikin Mfg. Co., Ltd.</p> <p>June 2006 President and Chief Executive Officer, Exedy Corporation</p> <p>April 2015 Chairman, Exedy Corporation</p> <p>June 2016 Corporate Advisor, Exedy Corporation</p> <p>Outside Director, Audit and Supervisory Committee Member, Bando Chemical Industries, Ltd.</p> <p>August 2016 Outside Director of the Company (present)</p> <p>June 2019 Outside Director, Ashimori Industry Co., Ltd.(present)</p> | <p>April 1977 Nishikawa & Nomura Law Office (now Nomura Law Firm) Opened (present)</p> <p>June 2015 Outside Director, MK System Corporation (present)</p> <p>September 2015 Outside Auditor, JTEC Corporation</p> <p>June 2016 Outside Director, Audit and Supervisory Committee Member, ALINCO INCORPORATED</p> <p>August 2018 Outside Director of the Company (present)</p> | <p>October 1994 Joined Asahi & Co. (now KPMG AZSA LLC).</p> <p>April 1998 Registered as a certified public accountant.</p> <p>August 2008 Director, BRAIN Co., Ltd. (present)</p> <p>November 2008 Registered as a licensed tax accountant.</p> <p>June 2019 Outside Director, Audit and Supervisory Committee Member, SHOEI CORPORATION (present)</p> <p>2 June 2020 Outside Director, COTA CO., LTD.</p> <p>August 2021 Outside Director of the Company (present)</p> <p>June 2025 Outside Director, Nitta Gelatin Inc. (present)</p> | <p>April 1990 Joined Takashimaya Co., Ltd.</p> <p>March 2015 Deputy General Manager, Luxury Brand Business, Jewelry and Watch Division, Merchandising Headquarters, Takashimaya Co., Ltd.</p> <p>March 2019 Deputy General Manager, Luxury Ladies' Fashion and Cosmetics Division, Merchandising Headquarters, Takashimaya Co., Ltd.</p> <p>March 2020 General Manager, Women's Clothes, Luxury Brand Business, Jewelry and Watch Division, Merchandising Headquarters, Takashimaya Co., Ltd.</p> <p>March 2021 General Manager, Cosmetics, Luxury Brand Business, Jewelry and Watch Division, Merchandising Headquarters, Takashimaya Co., Ltd.</p> <p>March 2025 Operating Officer, Deputy General Manager, Merchandising Headquarters, Takashimaya Co., Ltd. (present)</p> <p>August 2025 Outside Director of the Company (present)</p> | <p>May 1988 Joined the Company.</p> <p>June 2018 Representative Director, Suminoe Logistics Co., Ltd.</p> <p>December 2019 ISRP Project Leader of the Company</p> <p>August 2021 Operating Officer</p> <p>August 2022 CIO</p> <p>August 2024 Advisor</p> <p>August 2025 Full-time Corporate Auditor (present)</p> | <p>April 1979 Joined Kanegafuchi Chemical Industry Co., Ltd. (now KANEKA CORPORATION).</p> <p>April 2009 General Manager, Kanekalon Division, KANEKA CORPORATION</p> <p>June 2011 Executive Officer, KANEKA CORPORATION</p> <p>June 2015 Member of the Board and Managing Executive Officer, KANEKA CORPORATION</p> <p>June 2019 President, CEMEDINE CO., LTD.</p> <p>June 2023 Part-time Advisor, CEMEDINE CO., LTD.</p> <p>June 2024 Resigned Part-time Advisor, CEMEDINE CO., LTD. Auditor, AR Brown Co., Ltd. (present)</p> <p>August 2024 Outside Corporate Auditor of the Company (present)</p> <p>October 2024 Advisor, BWD HOLDINGS, LTD.</p> <p>April 2025 Director, BWD HOLDINGS, LTD.</p> | <p>April 1988 Joined Marubeni Corporation.</p> <p>April 2013 General Manager, Utility Apparel Department, Marubeni Corporation</p> <p>April 2019 Transferred to Marubeni Intex Co., Ltd.</p> <p>April 2025 President and Representative Director, Marubeni Intex Co., Ltd. (present)</p> <p>August 2025 Outside Corporate Auditor of the Company (present)</p> | |
| Skill | General management | ● | ● | ● | ● | | | | | | ● | ● |
| | Overseas business | ● | | | ● | ● | | | | | | ● |
| | Sales and marketing | ● | | ● | ● | ● | | | ● | | ● | ● |
| | Sustainability | | | ● | | | ● | | ● | | | |
| | Production technology | ● | | | | | | | | | | |
| | Finance and accounting | | ● | | | | | ● | | ● | | |
| | Legal affairs and risk management | | ● | ● | | | ● | ● | | ● | ● | |
| | IT & digital | | ● | | | | | | | ● | | |

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) |

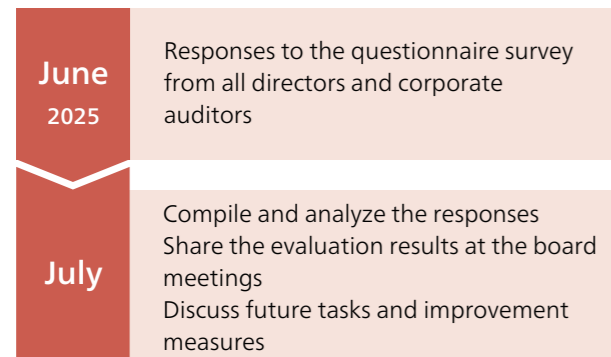
Governance

Evaluation of the effectiveness of the Board of Directors

Initiatives to evaluate the effectiveness of the Board of Directors

We evaluate and analyze 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



Questionnaire survey on the effectiveness of the Board of Directors

We conducted a survey with 25 questions, each of which was rated on a 5-point scale. The question topics and average scores are summarized in the following table.

| Question topic | Average score | |
|---|---------------|--------|
| | FY2024 | FY2025 |
| 1. Roles and functions of the Board of Directors | 3.27 | 3.20 |
| 2. The structure and size of the Board of Directors | 4.40 | 4.30 |
| 3. Operation of the Board of Directors | 4.02 | 3.95 |
| 4. Coordination with auditing bodies | 3.73 | 3.43 |
| 5. Relationship with outside directors | 3.67 | 3.52 |
| 6. Relationships with shareholders and investors | 3.78 | 3.52 |
| 7. General overview | 3.75 | 3.55 |
| Overall | 3.80 | 3.64 |

The survey results showed that the Board of Directors comprises members with a wide variety of attributes and backgrounds, which ensures a balanced structure and that lively discussions are held at board meetings. Accordingly, we conclude that the effectiveness of the Board of Directors has been ensured.

We will continue to conduct appropriate evaluation and analysis of its effectiveness so that the Board of Directors will address the identified issues.

Future tasks

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

- Progress in measures, reporting, discussions regarding significant issues (Group governance, investment matters, safety and health, quality, etc.)
- Explanation about business strategies by executive employees, etc.

2 Provide a forum for discussion outside board meetings

- Opportunities for outside officers to deepen their understanding of the business through introduction of the Group's products and observation tours of factories and other operation sites

Efforts to address issues in FY2024

1 Enhancing discussions on management strategies from a medium- and long-term perspective (specifically, discussions on nomination and remuneration and preparation of training plans for officers)

Discussions on materiality have been held at meetings of the Board of Directors. Also, training for officers has been implemented on a regular basis.

2 Prior provision of information needed for board meetings

The secretariat provides board members with brief and easy-to-read reference materials at an early point.

3 Coordination with auditing bodies

We have been strengthening coordination between the Board of Corporate Auditors and the internal auditing unit (Internal Auditing Department). The usage situation of the whistleblowing system is reported half-yearly at meetings of the Board of Directors.

4 Providing a forum for discussion outside board meetings

The Board of Directors' meeting is held once a year at places other than the Company's head office, offering outside officers opportunities to deepen their understanding of the SUMINOE GROUP's business activities.

5 Reaching out to shareholders and investors

In FY2025, we held seminars for individual investors three times and one-on-one meetings with institutional investors 35 times. Information on the financial results and timely disclosure was announced in writing on our websites. In addition, we published transcriptions of the contents of financial results briefings for institutional investors and IR seminars for individual investors, as part of our efforts to develop better ways of providing information to shareholders and investors.

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.

| 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 | 130 | 120 | — | 10 | 6 |
| Corporate auditor*2 | 15 | 15 | — | — | 1 |
| Outside officer | 27 | 27 | — | — | 7 |

*1 Excluding outside directors *2 Excluding outside corporate auditors

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.

Governance

Ensuring Compliance

Business 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.

Training for officers

Various training opportunities are offered to internal officers to enhance the knowledge necessary for their respective responsibilities and duties.

| Fiscal year | Themes |
|-------------|---|
| 2023 | "Human rights issues concerning corporate activities and responsibilities of officers and senior management" —Discussions on "Business and Human Rights" and deliberation on governance issues — |
| 2024 | "In preparedness for the expanding cybersecurity threat" |
| 2025 | "Corporate Governance Code and changes in the related external environment" |

Instilling compliance awareness among employees

■ Implementing compliance training

We have incorporated compliance training into the curriculum of the level-based training that is provided every year. At every session of compliance training, an explanation is given about what is compliance and why it is important so as to reaffirm employee awareness of compliance and encourage employees to acquire the knowledge required for the respective levels.

■ Initiatives to prevent unfair competition

We have also placed emphasis on the prevention of unfair competition through continuous initiatives to reduce legal violation risks by such means as conducting in-house briefings and study sessions regarding various laws that are related to business operations.

As for the Subcontract Act, we hold basic study sessions every year to improve employee understanding of laws and regulations, as well as maintain and raise their compliance awareness. In June 2025, we organized the Study Session on the Subcontract Act (Basic Edition). To ensure that employees can respond appropriately to legal revisions and comply with the revised laws, we provide them with the latest information through the intranet and study sessions on all such occasions. Additionally, annually we ask respective business divisions about their compliance status with the Subcontract Act. If its compliance status is deemed insufficient, we require the division to make improvements, which will be confirmed at a later date.

With regard to the Antimonopoly Act, in February 2025, an in-house briefing was held on cartels and collusion, where explanations were given about the points to note and in-house rules to prevent violation. Going forward, we will actively work to ensure compliance with the Antimonopoly Act by promoting measures, including revisions to the risk management manual and audits conducted by the Internal Auditing Department.

Whistleblowing system

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.

■ Use of consultation services As of May 31 of each year (number of cases)

| Contact point for consultation | 2024 | 2025 |
|---|------|------|
| Corporate Ethics Hotline (internal contact point) | 1 | 0 |
| Corporate Ethics Hotline (external contact point) | 0 | 0 |
| Health consultation contact points (including harassment consultations) | 3 | 5 |
| Harassment consultation contact point | 6 | 8 |
| Total | 10 | 13 |

Intellectual property protection

Intellectual property rights (patents, design rights, trademarks, etc.) are important management resources. To create, protect and utilize these rights is an integral part of corporate growth strategies and social development. The Group has been promoting applications for patents, design rights and trademarks and acquisition of these rights for new business, thereby realizing an environment that enables us to protect and smoothly advance new business. In FY2025, we filed a greater number of patent applications than that of the previous fiscal year. We hold awareness-raising activities to instill the importance of intellectual property into all employees. We also periodically investigate other companies' patents and share the obtained information, with the aim of respecting patents of other companies and preventing the Company from infringing on their patents.

Stakeholder Engagement

Interactive communication through "Management by walking around"

Since 2017, the Group has been promoting "Management by Walking Around," under which internal officers personally visit Group companies in Japan and overseas to exchange opinions with local employees to deepen interactive communication.

In the fiscal year ended May 2025, this initiative was conducted ten times, during which management visited a total of 16 bases in charge of development, production and sales. These visits provided officers and local employees with opportunities to develop a sense of unity through interactive communication by directly exchanging views on their tasks and expectations.

| Visits in the fiscal year that ended May 2025 | | |
|---|------|--|
| Japan (16 sites) | June | Teijin Teclath Ltd. |
| | Aug. | Suminoe Textile Co., Ltd (now SUMINOE Co., Ltd.) Technology Development Center, Nara Factory |
| | Oct. | Ishikawa Factory, Owari Seisen Co., Ltd. |
| | Nov. | SUMINOE Co., Ltd. (now SUMINOE Interior Products Co., Ltd.) Sapporo Sales Department, North Japan Branch Office |
| | Dec. | Matsubara Center, RUNON CO., LTD. Matsubara Center, Suminoe Logistics Co., Ltd. |
| | Jan. | Kyoto Traditional Art and Craft Factory, SUMINOE Co., Ltd. Kyoto Office, SUMINOE Interior Products Co., Ltd. Nara Factory, Suminoe Techno Co., Ltd. |
| | Mar. | Hachioji Factory, CPO Co., Ltd. Head Office |
| | Apr. | PRETERIOR-TEXTILE Inc. |
| | May | Hiroshima Sales Department, SUMINOE Interior Products Co., Ltd. Hiroshima Sales Office, RUNON CO., LTD. Hiroshima Sales Department, SUMINOE Co., Ltd. Fifth Sales Department, Suminoe Teijin Techno Co., Ltd. |

Reinforcement of Risk Management

Risk management system

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 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.

Strengthening of internal control to improve corporate value

In FY2025, we considered "what corporate value internal control will bring" and reviewed the present conditions of internal control. To improve internal control into one that fits with the times and each situation, we began with grasping the current circumstances of all Group companies by surveying their corporate data, performance, internal control status, etc. Also, as part of education and training programs to enhance auditing skills, internal auditors started to receive external seminars designed to obtain the Certified Internal Auditor (CIA) certification.

Through these initiatives, we became able to recognize a lack of items to be focused on and controlled by internal control audits, which resulted in an addition of audit items and an improvement in the content of interviews during on-site audits.

This has enabled us to communicate the importance of internal control and control items to all organizations subject to on-site audits, which will help prevent errors and irregularities from occurring there. We expect that by repeating this process, we can strengthen internal control, thereby facilitating corporate value enhancement.

Restructuring of core systems

Beginning in June 2018, we have been driving the restructuring of core systems, including systems for production management and receivables/payables management in Japan and overseas, in order to realize operation standardization and efficiency improvement, cross-organizational management, and IT control. As of now, we are about 80% complete with the ongoing project and aim to finish it by September 2027.

Business continuity plan

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 and SUMINOE Interior Products, we conduct BCP-based personal safety confirmation drills annually, assuming an emergency.

Response to cyberattacks

In July 2024, we found that the Group's subsidiaries in the United States and Mexico were hit by a cyberattack. After confirming the situations, we reported it to the authorities concerned and shut down the network system to prevent the damage from spreading. We also made effective use of backups, so all the restoration procedures have now been completed. The results of our investigation revealed that the impact of the cyberattack was limited to the U.S. and Mexican subsidiaries and that there has been no impact on SUMINOE and other Group companies.

As recurrence prevention measures, we had a consulting firm conduct risk assessment and created a roadmap based on its results. Following the roadmap, we are currently working to improve the security level of the entire Group. Moreover, we are planning to organize and operate a SUMINOE GROUP CSIRT (Computer Security Incident Response Team), which aims for security incident prevention and emergency response.

Reinforcement of Information Security

Cyber security measures

The Group formulated the Information Security Policy in 2018, as one of its security measures for information assets. Since then, we have been strictly observing the policy while continuously evaluating, reviewing and improving information security in order to protect information assets from various threats.

■ Examples of initiatives

- Phishing simulation (2024)
- Introduction of SOC (Security Operation Center) service (2025)
- Introduction of a next-generation firewall (2025)
- Establishment of off-site backups (2025)

In addition to the above initiatives, we plan to introduce log preservation and analysis solutions and implement incident response drills.

Eleven-year Consolidated Financial Summary

Each FY ended May 31

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--|
| Operating results | | | | | | | | | | | | |
| Net sales (Million yen) | 91,182 | 97,529 | 96,038 | 97,872 | 98,617 | 91,512 | 79,702 | 81,713 | 94,828 | 103,478 | 104,791 | |
| Operating income (Million yen) | 3,101 | 2,553 | 1,297 | 2,247 | 3,118 | 1,557 | 1,049 | 110 | 1,294 | 3,300 | 3,001 | |
| Operating margin (%) | 3.4 | 2.6 | 1.4 | 2.3 | 3.2 | 1.7 | 1.3 | 0.1 | 1.4 | 3.2 | 2.9 | |
| Ordinary income (Million yen) | 3,729 | 2,883 | 1,364 | 2,358 | 2,956 | 1,323 | 1,211 | 950 | 1,575 | 3,668 | 2,514 | |
| Profit attributable to owners of parent (Million yen) | 1,815 | 245 | 26 | 1,083 | 467 | 142 | 409 | 281 | 320 | 874 | 669 | |
| EBITDA (Million yen) | 4,964 | 4,447 | 2,917 | 3,973 | 4,888 | 3,588 | 3,028 | 2,026 | 3,524 | 5,557 | 5,291 | |
| Cash flows | | | | | | | | | | | | |
| Cash flows from operating activities (Million yen) | 3,701 | 1,453 | 983 | 3,519 | 4,760 | 5,901 | 4,167 | 375 | 1,803 | 7,450 | 2,283 | |
| Cash flows from investing activities (Million yen) | -1,231 | -3,211 | -2,170 | -244 | -1,448 | -1,536 | -754 | -1,191 | -2,834 | -2,323 | -2,254 | |
| Free cash flow (Million yen) | 2,470 | -1,757 | -1,186 | 3,274 | 3,311 | 4,365 | 3,413 | -816 | -1,030 | 5,127 | 29 | |
| Cash flows from financing activities (Million yen) | -2,756 | 119 | 354 | -843 | -4,964 | -1,702 | -3,174 | -2,074 | -52 | -4,204 | 773 | |
| Financial position | | | | | | | | | | | | |
| Total assets (Million yen) | 90,126 | 86,878 | 90,254 | 92,182 | 87,975 | 86,272 | 83,669 | 84,801 | 88,151 | 92,199 | 94,976 | |
| Interest-bearing debts (Million yen) | 15,134 | 16,959 | 18,946 | 19,396 | 18,548 | 20,184 | 18,689 | 18,999 | 21,280 | 18,090 | 20,925 | |
| Shareholders' equity (Million yen) | 22,860 | 22,614 | 22,111 | 22,664 | 20,560 | 18,641 | 18,878 | 19,711 | 19,458 | 21,431 | 21,324 | |
| Shareholders' equity ratio (%) | 25.4 | 26.0 | 24.5 | 24.6 | 23.4 | 21.6 | 22.6 | 23.2 | 22.1 | 23.2 | 22.5 | |
| Per share data*1 | | | | | | | | | | | | |
| Profit per share (EPS) (Yen) | 120.34 | 16.26 | 1.75 | 71.83 | 32.68 | 10.94 | 32.42 | 22.22 | 25.27 | 66.11 | 50.18 | |
| Book-value per share (Yen) | 2,330.73 | 2,208.04 | 2,206.17 | 2,257.63 | 2,234.52 | 2,219.06 | 2,219.33 | 2,235.24 | 2,274.87 | 2,371.35 | 2,354.28 | |
| Annual dividend per share (Yen) | 30 | 35 | 35 | 35 | 35 | 25 | 17.5 | 35 | 27.5 | 35 | 40 | |
| Payout ratio (%) | 24.9 | 215.4 | — | 48.7 | 107.1 | 228.5 | 54.0 | 157.5 | 108.8 | 52.9 | 79.7 | |
| Other data | | | | | | | | | | | | |
| Return on equity (ROE) (%) | 5.5 | 0.7 | 0.1 | 3.2 | 1.4 | 0.5 | 1.5 | 1.0 | 1.1 | 2.9 | 2.1 | |
| Capital expenditure*2 (Million yen) | 1,422 | 820 | 2,722 | 1,171 | 1,617 | 3,516 | 2,677 | 4,636 | 2,441 | 3,875 | 3,221 | |
| Depreciation (Million yen) | 1,862 | 1,893 | 1,620 | 1,725 | 1,769 | 2,030 | 1,979 | 1,915 | 2,229 | 2,257 | 2,289 | |
| R&D expenses (Million yen) | 380 | 348 | 289 | 268 | 254 | 1,117 | 948 | 984 | 1,073 | 1,060 | 1,115 | |
| Number of employees | 2,604 | 2,786 | 2,830 | 2,850 | 2,899 | 2,822 | 2,724 | 2,640 | 2,779 | 2,812 | 2,943 | |

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

In addition, a 2-for-1 stock split was conducted on March 1, 2025, and the figures for past fiscal years also reflect the adjusted values.

*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."

Dialogue with Shareholders and Investors

Systems and Initiatives for Dialogue with Shareholders and Investors

To achieve sustainable growth of the Group and enhance its corporate value over the medium to long term, we recognize that it is important to actively engage in constructive dialogue with shareholders and investors (hereinafter referred to as "shareholders, etc."), reflect their opinions and requests in management, and grow together with shareholders, etc. To this end, we have established a system to promote dialogue with shareholders, etc., and set opportunities to have dialogue with investors, etc. through general meetings of shareholders, financial results briefings, meetings with institutional investors, and briefings for individual investors, with the aim of gaining understanding of our medium- to long-term management targets and business strategies. At briefings for institutional and individual investors, our President speaks as the main speaker. Additionally, individual meetings with investors are conducted primarily by the Managing Director

and Representative Director, the Director in charge of IR, and the Corporate Planning Department, while meetings with shareholders are conducted primarily by the General Affairs Department, both for constructive dialogue.

Opinions received through dialogue are fed back to the Executive Committee as appropriate.

Major themes and areas of interest

- Current status and outlook of business performance and market environment, and measures for medium- to long-term growth
- Measures to improve profitability
- Policy on shareholder returns
- Initiatives regarding stock prices and capital costs
- ESG initiatives

Status of dialogue in fiscal year ended May 2025

| Descriptions | Persons in charge at the Company | Participants | Number of times/year |
|--|--|--|----------------------|
| Annual general meeting of shareholders | President, inside and outside Directors/Corporate Auditors, Operating Officers | Shareholders | Once |
| Financial results briefing for institutional investors | President, Managing Director and Representative Director, Director in charge of IR | Institutional investors and analysts | Twice |
| Company information session for individual investors | President | Individual investors | 3 times |
| Individual meeting | Managing Director and Representative Director, Director in charge of IR, Corporate Planning Department, General Affairs Department | Institutional investors, analysts, persons in charge of proxy voting, etc. | 28 cases (total) |

Information provision service for investors

Our basic policy is to disclose information fairly, promptly, and accurately so that there is no information gap among shareholders and investors. To promote constructive dialogue, in addition to timely disclosure, we utilize sponsored reports that provide information from a neutral standpoint, as well as transcription services for financial results briefings held for institutional investors.

- Sponsored report (Shared Research)
<https://sharedresearch.jp/en/companies/3501>
- Transcription of financial results briefing (Logmi Finance)
<https://finance.logmi.jp/companies/1235>

Participation in company information sessions for individual investors

To promote understanding of the Group, we participate in company information sessions for individual investors approximately twice a year. During the fiscal year ended May 2025, we participated in two in-person and one online company information sessions, where our President provided a business overview, explaining about the Company, performance trends, and Medium- to Long-term Management Targets, along with a Q&A session. At one of the three sessions held, we set up a booth, providing the IR staff of the Corporate Planning Department with the opportunity to speak directly with individual investors.



Group companies

- SUMINOE Interior Products Co., Ltd. 🏠
- RUNON CO., LTD. 🏠
- CPO Co., Ltd. 🏠
- PRETERIOR-TEXTILE Inc. 🏠
- Suminoe Logistics Co., Ltd. 🏠🚚

- Sewing Hyogo Co., Ltd. 🏠
- Suminoe Teijin Techno Co., Ltd. 🏠
- Marunaka Soei Co., Ltd. 🏠
- Suminoe Techno Co., Ltd. 🏠🚚
- TANGO TEXTILE Co., Ltd. 🏠🏠

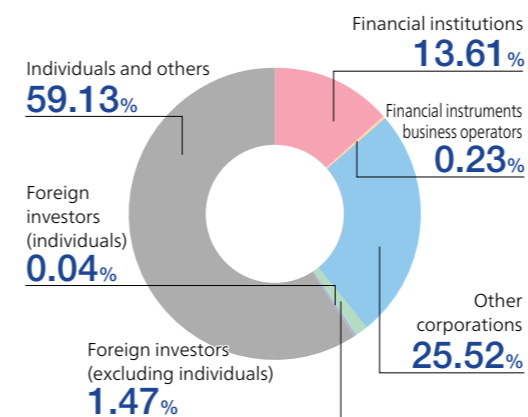
- Teijin Teclath Ltd. 🚚
- Owari Seisen Co., Ltd. 🚚🚚🚚
- Seki Textile Co., Ltd. 🚚
- Kansai Laboratory Co., Ltd. 🚚
- INTEC CO., LTD. 🚚

Company Information (As of May 31, 2025)

Corporate Summary

| | | | |
|-------------------------------------|---|--|--|
| Company name | SUMINOE 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 | 263 (Consolidated group companies: 2,943) | Accounting auditor | KPMG AZSA LLC |
| URL | https://suminoe.co.jp/en/ | | |
| Number of consolidated subsidiaries | 28 | | |
| Number of equity-method affiliates | 1 | | |

Shareholder Distribution



Status of Shares

| | |
|------------------------|------------|
| Authorized shares | 30,000,000 |
| Issued shares | 15,364,324 |
| Number of shareholders | 12,976 |

Major Shareholders

| Name | Number of shares held (Thousands) | Shareholding ratio (%) |
|--|-----------------------------------|------------------------|
| Takashimaya Co., Ltd. | 1,849 | 13.97 |
| Nippon Life Insurance Company | 953 | 7.20 |
| Marubeni Corporation | 733 | 5.54 |
| Hayashi Telempu Holdings Corporation | 466 | 3.52 |
| The Master Trust Bank of Japan, Ltd. (as trustee for Retirement Benefit Trust of UNITIKA LTD.) | 357 | 2.70 |
| SUMINOE Kyoeikai | 307 | 2.32 |
| SUMINOE Employee Shareholding Association | 286 | 2.16 |
| Meiji Yasuda Life Insurance Company | 231 | 1.74 |
| Hulic Co., Ltd. | 150 | 1.13 |
| The Senshu Ikeda Bank, Ltd. | 147 | 1.11 |

*1 The numbers of shares held are rounded down to the nearest thousand.
 *2 The Company holds treasury stock (2,119,604 shares) but is not included in the above list of major shareholders.
 Treasury stock is excluded from the calculation of shareholding ratios.
 *3 The Company implemented a 2-for-1 stock split with an effective date of March 1, 2025.

- T.C.H. Suminoe Co., Ltd. 🚚
- Suminoe Koide (Thailand) Co., Ltd. 🚚
- PT. Sinar Suminoe Indonesia 🚚
- PT. Suminoe Surya Techno 🚚
- Suminoe Teijin Techno Krishna India Pvt. Ltd. 🚚
- Suminoe Textile Vietnam Co., Ltd. 🚚
- Interior Fittings 🏠
- Automotive Textiles 🚚
- Traffic Facilities 🚚
- Functional Materials 🚚
- Arts and Crafts Textiles 🚚