

 **SUMINOE Textile Co., Ltd.**

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# SUMINOE

Suminoe Textile Group CSR Report

# 2017

# Suminoe Textile Group CSR<sup>\*1</sup>

## Company Purpose

We contribute to the improvement of society through the production and sales of good products, and a prosperous business.

## Company Motto

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

## Code of Conduct

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

## CSR Activity Policy

To further enhance its corporate value and win a broader range of social trust, the Suminoe Textile Group stipulates the following CSR activity policy, which simultaneously advances both “CSR through Business Operations” and “CSR that Serves as a Management Foundation.”

### CSR through Business Operations

- Offering products that contribute to the global environment and society, and which enrich people’s lives and minds, in line with our fundamental philosophy of “KKR+A (Kenko [Health], Kankyo [Environment], Recycle and Amenity)”
- Promoting global strategies, to ensure that our products will be used by many more people, and to promote “KKR+A” around the world.

### CSR that Serves as a Management Foundation

- Establishing a fair and highly transparent governance system.
- Ensuring thorough compliance<sup>\*2</sup> to conduct corporate activities with a high sense of ethics.
- Supporting employees to develop themselves through worthwhile work, while giving consideration to the creation of an employee-friendly environment and the diversity of employees.

Based on our CSR activity policy, we work to provide value to our stakeholders as described below. In doing so, we will establish favorable relationships with our stakeholders, and contribute to the global environment, thereby fulfilling our responsibilities to the next generation.

Major stakeholders	Customers	We will strive to sincerely respond to our customers, by earnestly listening to their voices. Taking great pleasure in creating comfortable spaces together with our customers, we aim to gain their trust. We also push forward with our quality-improvement efforts.
	Suppliers	We attach great importance to our relationships with our suppliers, and work together with them to improve our customer service capabilities. We strive to conduct fair transactions on an equal footing, by selecting suppliers based on rational criteria regarding price, quality, delivery times, etc.
	Shareholders and investors	By securing appropriate profits, we aim to give back to our shareholders and investors. We will also work on proactive information disclosure, through our investor relations (IR) activities.
	Residents of local communities	We will deepen exchange with people in various countries and local communities, so as to better understand their cultures and histories. At the same time, we will carry out social contribution activities.
	Employees	We will develop comfortable working environments, by respecting the individual personalities and characteristics of our employees. We will also live up to our employees’ hopes to maximize their own abilities to resolve various issues and challenges.
Global environment	We will devote our energies to developing attractive environmental products and technologies that contribute to the preservation and improvement of the global environment. Moreover, through our business operations, we will strive to decrease our impact on the environment (e.g., energy saving, resource conservation, and waste reduction).	

\*1 CSR: Stands for Corporate Social Responsibility.

\*2 Compliance: A company’s process of making decisions and taking action in observance of laws and corporate ethics, so as to live up to the expectations and trust of society.

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### ■ Period Covered

Fiscal year 2016 (From June 2016 to May 2017) (Some activities undertaken outside the above period are included.)

### ■ Scope of the Report

Suminoe Textile Co., Ltd. and its consolidated subsidiaries in Japan and overseas. However, the scope varies according to the items reported.

### ■ Referenced Guidelines

ISO26000 Guidance on Social Responsibility

### ■ Date of Publication

December 2017





**[Introduction]**

The Suminoe Textile Group has succeeded in continuing its corporate activities for more than 130 years since its inception. I attribute this to the trust we have received from customers and many other stakeholders who have supported our activities. To maintain and further strengthen this relationship of trust, it is vital that top management and all Group employees not only comply with laws and regulations, but also be well aware of social norms and corporate ethics, and share the Group's sense of values. To ensure these commitments, Suminoe Textile Co., Ltd. reviewed its three-year medium-term management plan, "Advance Ahead 2018," and formulated a new plan—the 5th three-year medium-term management plan, "2020"—which started in June 2017.

The new plan has selected two themes: restructuring of corporate governance, and growth of business. In line with these themes, while

endeavoring to expand its business, the Company will focus on strengthening compliance with laws and regulations, reviewing our management system, and restructuring our core system.

**[Restructuring of corporate governance]**

Suminoe Textile believes that fair business activities and transparent organizational operation based on corporate ethics are essential for the continuation of an enterprise. In the fiscal year ended May 2017, the Company consulted outside experts, and formulated a medium- to long-term plan for thorough compliance with laws and regulations. Under the 5th three-year medium-term management plan "2020," the Company will implement the various measures in accordance with the roadmap, with particular emphasis on two initiatives: review of the financial results management system, and restructuring the internal control system.

**[Growth of business]**

In Japan, demand for the renovation of hotel rooms and remodeling of railway vehicles is expected to pick up in the short term in preparation for the Tokyo 2020 Olympic and Paralympic Games. However, Japan's economy is forecast to shrink over the medium- to long-term because of the decreasing population, especially the decline in the working-age population caused by the falling birthrate. Overseas, the economies of emerging countries, mainly in the Asian region, are expected to continue to grow steadily. In recent years, however, the outlook for the global economy has become more uncertain, since protectionist political movements, which are rising in reaction to globalization, have cast a shadow over global economic activities.

Since the management finds it difficult to expand business at home and abroad without reform of the Company, Suminoe Textile will consolidate its foothold and we will strive to grow our business by addressing the three tasks: expansion of product lineups, strengthening of our response to globalization, and development and sales of high value-added products.

**[Global Business Expansion]**

The Suminoe Textile Group has pursued its global business expansion efforts for more than 20 years since 1994, when we branched out into Thailand. Currently, overseas sales account for roughly 30% of our total consolidated sales. For our Company to continue to grow, we should not only stay competitive in the Japanese market, which has entered its maturity phase, but also increase our presence in the global market, which continues expanding. In this respect, we have reached a major turning point in the Company's history. At the same time, in aiming to conduct business operations that are better adapted to each region, we will embrace diverse cultures, customs, religions and ethnic groups, foster global human resources, share our corporate principles with local employees, promote compliance awareness, and contribute to the development of local communities where Suminoe Textile establishments are operating.

**[Environmental Protection Activities]**

In keeping with its fundamental development philosophy "KKR+A (Kenko [Health], Kankyo

[Environment], Recycle and Amenity)," the Suminoe Textile Group is committed to developing environmentally friendly products. One outcome of these endeavors is ECOS®, recycled carpet tiles produced using horizontal recycling technology. Our proprietary ECOS® backing material is produced under the "closed-loop recycling" system, which recycles resources in the same products, and therefore requires a remarkably higher technology than that of conventional recycling models. It is already six years since the ECOS® series was launched. Even today, however, its post-consumption recycled material usage rate (up to 84%) remains at the highest level in the world, earning these carpet tiles much acclaim both at home and abroad.

To help build a sustainable society, the Company strives to achieve a better harmony between "pursuit of profit" and "contribution to the environment and society."

**[Passing on Hand-Weaving Techniques to Future Generations]**

We believe that passing on our hand-weaving techniques to posterity—techniques which we have nurtured for more than 130 years—is part of the social contribution and responsibilities that our Company must make and fulfill. Since its founding, Suminoe Textile has supplied hand-woven carpets, plush hand-woven curtains, seat covering materials, wall covering materials and other artistic textile products to various buildings, including the National Diet Building and State Guest Houses, where the essence of Japanese traditional arts and crafts is concentrated. In this present age, great importance is attached to productivity, making it extremely difficult to preserve traditional hand-weaving techniques. Nevertheless, the Company is determined to continue fostering young technicians and artisans, thereby handing down the artistry and traditional techniques developed over many years to future generations.

December 2017

Chairman and President  
Suminoe Textile Co., Ltd.

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