



February 14, 2022

Dear all

Company name	Ultrafabrics Holdings Co., Ltd
Representative name	Noboru Yoshimura Representative Director & President
Code No.	4235 (JASDAQ)
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### Notice Regarding Formulation of the Medium-Term Management Plan

We are announcing the formulation of a new medium-term management plan (FY 2022 - FY 2024) beginning with the fiscal year ending December 31, 2022.

#### Description

The company has been working on various initiatives based on the medium-term management plan (FY 2021 - FY 2023) announced on February 15, 2021, considering this period as the time to aim for the next growth stage from the completion of business integration.

The financial results (consolidated) announced today for the fiscal year ended December 31, 2021, shows that both sales and profits for the fiscal year ended December 31, 2021, exceeded the initial forecast, mainly due to higher-than-expected sales volume from the automobile sector in the wake of favorable vehicle sales. The company has reached a level close to the performance targets set for the next one to two years. Our company has formulated a new medium-term management plan (FY 2022 - FY 2024) considering these performance trends and the current changes in the company's environment.

#### 2022-2024 Medium-Term Management Plan

Performance targets for the period ending December 2024: Sales revenue 22.5 billion yen, Operating income 3.1 billion yen and EBITDA 4.9 billion yen

- (1) Multiple growth streams
- (2) Increase corporate financial value by increasing sales volume and improving profitability
- (3) Enhancing non-financial corporate value by focusing on sustainability

For details, please refer to the attached document.

If you have any questions regarding this matter, please contact Takano, Manager of Corporate Planning Division, at 042-644-6515.

Note: The forward-looking statements, such as performance forecasts, included in this document are based on the information currently available to the company and certain assumptions deemed as reasonable by the company, and the company does not promise that these forecasts will be realized. Actual performance may differ significantly due to various factors.

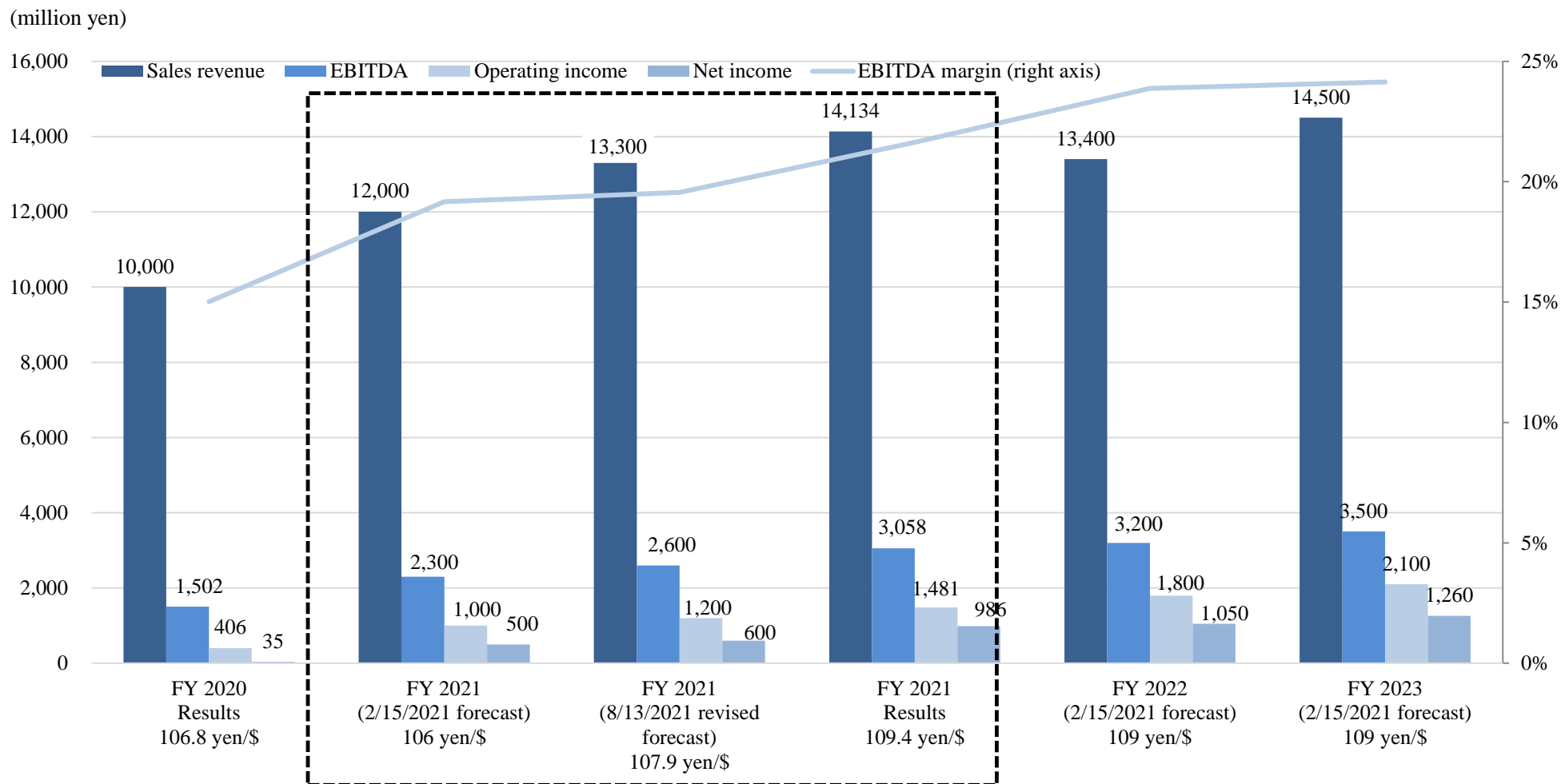
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# Ultrafabrics Holdings Co., Ltd. 2022-2024 Medium-Term Management Plan

February 14, 2022

# 2022-2024 Medium-Term Management Plan (1)

## Progress of the Previous Medium-term Plan



- In FY 2021, sales exceeded the initial plan by 17.8% and operating income exceeded the plan by 48.1%. The level of sales is almost at the target set for FY 2023.

## Policy

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- 2024 Annual Performance Targets
  - Sales revenue 22.5 billion yen, Operating income 3.1 billion yen and EBITDA 4.9 billion yen
  
- Multiple growth streams
  - Create a comfortable space in various settings such as houses, automobiles, airplanes and recreational facilities
  - Pursue "comfort" in the form of design, texture, safety, cleanliness and sustainability
  
- Increase financial corporate value by increasing sales volume and improving profitability
  - Renewal of out-of-date production facilities, increase in production capacity and conversion to sustainable plants
  - Expansion of production capacity, including that of partner companies
  - Improve profitability by reviewing the portfolio by product
  - Improvement of production efficiency
  
- Enhancing non-financial corporate value by focusing on sustainability
  - Development of sustainable products using bio and recycled materials
  - Set and promote sustainable goals in production processes
  - Share sustainable goals with partners

# 2022-2024 Medium-Term Management Plan (3)

## Performance Targets (PL)



(million yen)	FY 2021	Medium-Term Management Plan			
		FY 2022	FY 2023	FY 2024	2021-2024 CAGR
Sales revenue	14,134	16,100	18,700	22,500	16.8%
Gross profit	6,188	7,100	8,100	9,300	14.5%
Operating income	1,481	2,000	2,400	3,100	27.9%
Net income before income taxes	1,347	1,700	2,100	2,800	27.6%
Net income	986	1,100	1,400	1,900	24.4%
EBITDA	3,058	3,500	3,900	4,900	17.0%

					2024 vs.2021
Gross profit margin	43.8%	44.1%	43.3%	41.3%	-2.5P
Operating income margin	10.5%	12.4%	12.8%	13.8%	+3.3P
EBITDA margin	21.6%	21.7%	20.9%	21.8%	+0.2P
ROE	9.1%	8.8%	10.2%	12.3%	+3.2P

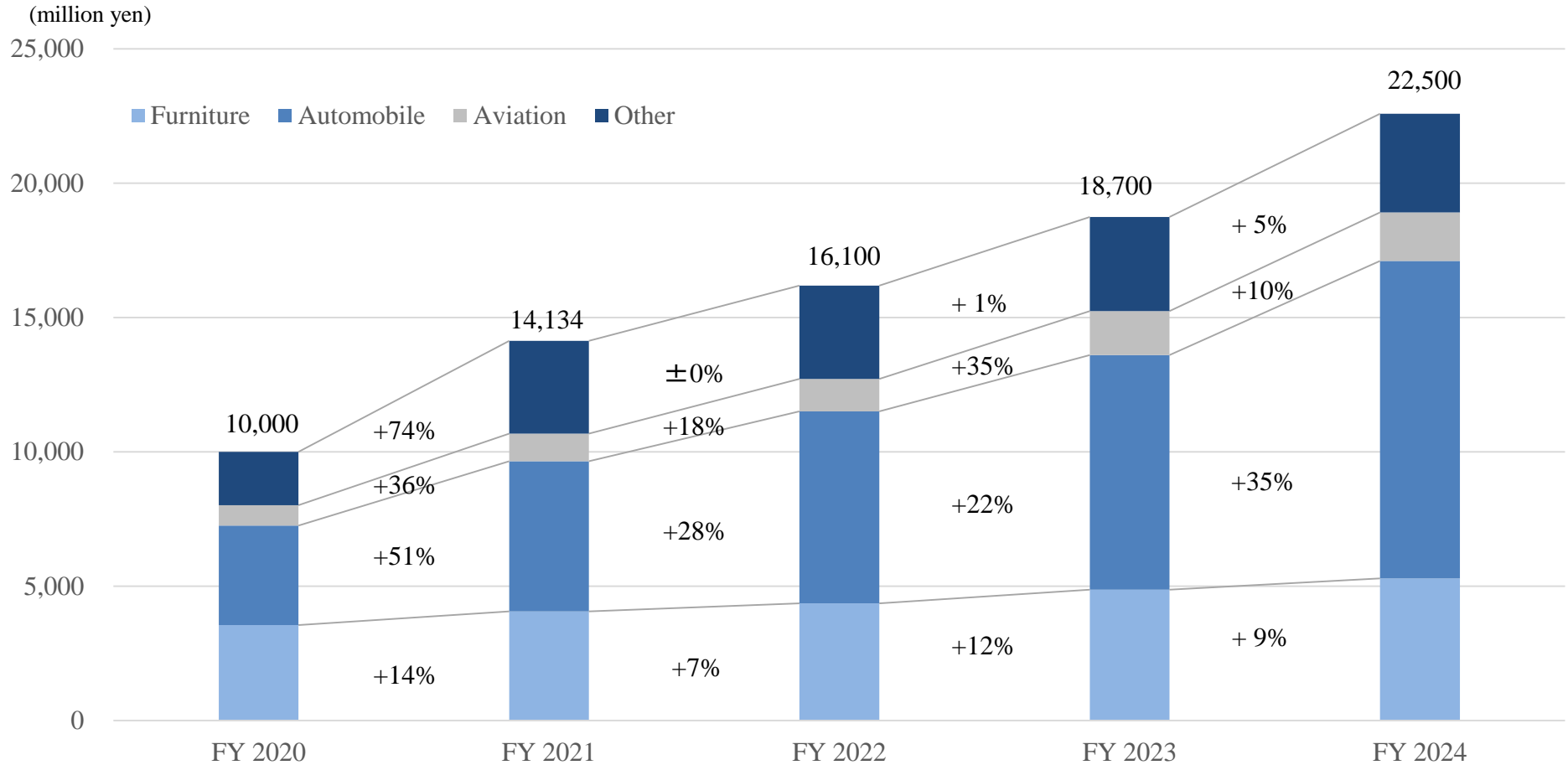
Number of shares on a fully diluted basis*	9,946,651	10,003,451	10,060,251	10,117,051	-
Earnings per share (yen)	99.1	110.0	139.2	187.8	-
Assumed exchange rate (Yen/\$)	109.4	110.0	110.0	110.0	-

\*Adjusted for conversion ratio of preferred stock to common stock

- A double-digit average growth rate is forecasted in both sales and profits due to increasing demand in each sector.
- Although the gross profit margin in FY 2024 will decrease by 2.5% point due to partial outsourcing of production, the operating income margin will improve by 3.3% point compared to FY 2021 due to a lower fixed cost ratio resulting from a higher sales volume. ROE will also improve by 3.2% point over the same period while enhancing shareholders' equity.
- Assume 1 yen depreciation per dollar translates into gain of 80 million yen at the operating income level.

# 2022-2024 Medium-Term Management Plan (3)

## Performance Targets (Sales Revenue by Sector)



- While automotive sales will continue to drive growth with an average growth rate of 28% over a 3-year period, furniture and aircraft sales are also expected to grow at a high rate of 9% and 20%, respectively.

# 2022-2024 Medium-Term Management Plan (4)



## Measures

Furniture	<ul style="list-style-type: none"> <li>In addition to the recovery of office furniture, develop new markets such as partitions with excellent sound absorption properties, residential and outdoor furniture (for home use).</li> <li>Respond to the expanding healthcare market</li> <li>Promote digital marketing with an updated website</li> </ul>	R&D / Product development	<ul style="list-style-type: none"> <li>Development of bio and recycled products: By 2030, 100% of all 【Ultrafabrics】 product portfolio will have at least 50% rapidly renewable and/ or recycled materials</li> </ul>
Aviation	<ul style="list-style-type: none"> <li>Acquire new programs for commercial aircraft on the back of a moderate recovery in the airline industry</li> <li>Expand sales of lightweight materials</li> </ul>	Production	<ul style="list-style-type: none"> <li>Improve production efficiency through effective use of process progress management system</li> <li>Respond to rising raw material costs</li> <li>Construct a new plant as a measure to counter the aging of production facilities and for the goal of improving efficiency</li> <li>Develop profit and loss management system to review portfolio by product</li> <li>Formulate plans for future production capacity expansion</li> </ul>
Automobile	<ul style="list-style-type: none"> <li>Acquire seat programs for new customers (especially EVs)</li> <li>Strengthen production support and quality control systems for partner companies</li> </ul>	Sustainability	<ul style="list-style-type: none"> <li>Set goals and formulate action plans for production processes, including CO<sup>2</sup> emissions, water consumption and waste reduction</li> <li>Invest facilities to accomplish the above goals</li> <li>Share awareness of suppliers' environmental protection and respect for human rights, etc.</li> </ul>



# 2022-2024 Medium-Term Management Plan (5)

## Cash Flow and Dividend

(million yen)	FY 2021	Medium-Term Management Plan		
		FY 2022	FY 2023	FY 2024
Net income	986	1,100	1,400	1,900
Depreciation and amortization expenses	1,385	1,200	1,200	1,600
Increase/decrease in working capital	-292	-400	0	-200
Operating cash flow	2,079	1,900	2,600	3,300
Capital investment	957	1,300	2,000	2,000
Free cash flow	1,122	600	600	1,300

Dividend per share (yen)		
Ordinary shares	28	34
Preference shares	30	37
Dividend total amount	264	324
Payout ratio	26.8%	29.2%

- Although there is a demand for working capital due to a higher sales volume, the total operating cash flow over the 3-year period is 7.8 billion yen.
- In addition to the investment in the modernization of existing plants and R&D-related investment, the company plans to invest in the construction of a new plant, with a capital investment of 5.3 billion yen.
- The main purpose of the new plant is to relocate some manufacturing processes of the existing plant and renovate the facilities as a measure to counter aging and for the goal of improving efficiency. The target is to start operations in 2025, and 1.3 billion yen out of the total investment of 4.2 billion yen will be allocated to investment for the purpose of improving sustainability.
- Given the continued high level of demand for capital investment, the dividend payout ratio will be approximately 30%, with the aim of balancing the allocation of the profits generated to investment, retained earnings and shareholder returns.
- The dividend per share for FY 2022 is expected to be 34 yen for common stock.