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For immediate release

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Notice of information disclosures based on Task Force on Climate-Related Financial Disclosures recommendations

Ultrafabrics Holdings Co., Ltd. hereby notifies that it has disclosed information based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

1. The TCFD (Task Force on Climate-related Financial Disclosures)


The TCFD was established by the Financial Stability Board (FSB) on instruction from the G20. It published its final report in June 2017, recommending that companies provide disclosures related to climate change under the categories of governance, strategy, risk management, and metrics & targets.

2. The targets and initiatives of Ultrafabrics Holdings

One aspect of the Ultrafabrics Holdings Group mission statement is to “prioritize sustainability while contributing to society”. Within that context, the Group views the mitigation of climate change as a top priority, and has started undertaking multiple initiatives to that end. In February 2023, Ultrafabrics endorsed the TCFD recommendations and began identifying the business risks and opportunities for the Group arising from climate change. The results of that process have been summarized in accordance with the TCFD disclosure framework and presented on the attached pages. The Group has adopted sustainability-based management aimed at achieving both ongoing corporate growth and a sustainable environment and society. Accordingly, it will further implement measures to tackle climate change and continue to provide appropriate disclosures in line with the framework recommended by the TCFD.

# Ultrafabrics Holdings, Inc. Financial Disclosure on Climate Change Related Risks

Ultrafabrics Holdings Co.,Ltd. (4235)



Comfortable and Conscious in Every Way

Ultrafabrics Group believes that in order for a company to grow and prosper in the future, the entire society in which it operates must be prosperous and sustainable, not only our own company. Therefore, it is important for the company, as a member of society, to promote initiatives to solve social issues. As a statement of this intention, we have adopted "Focus on Sustainability and Contribute to Society" as one of our group management philosophies.

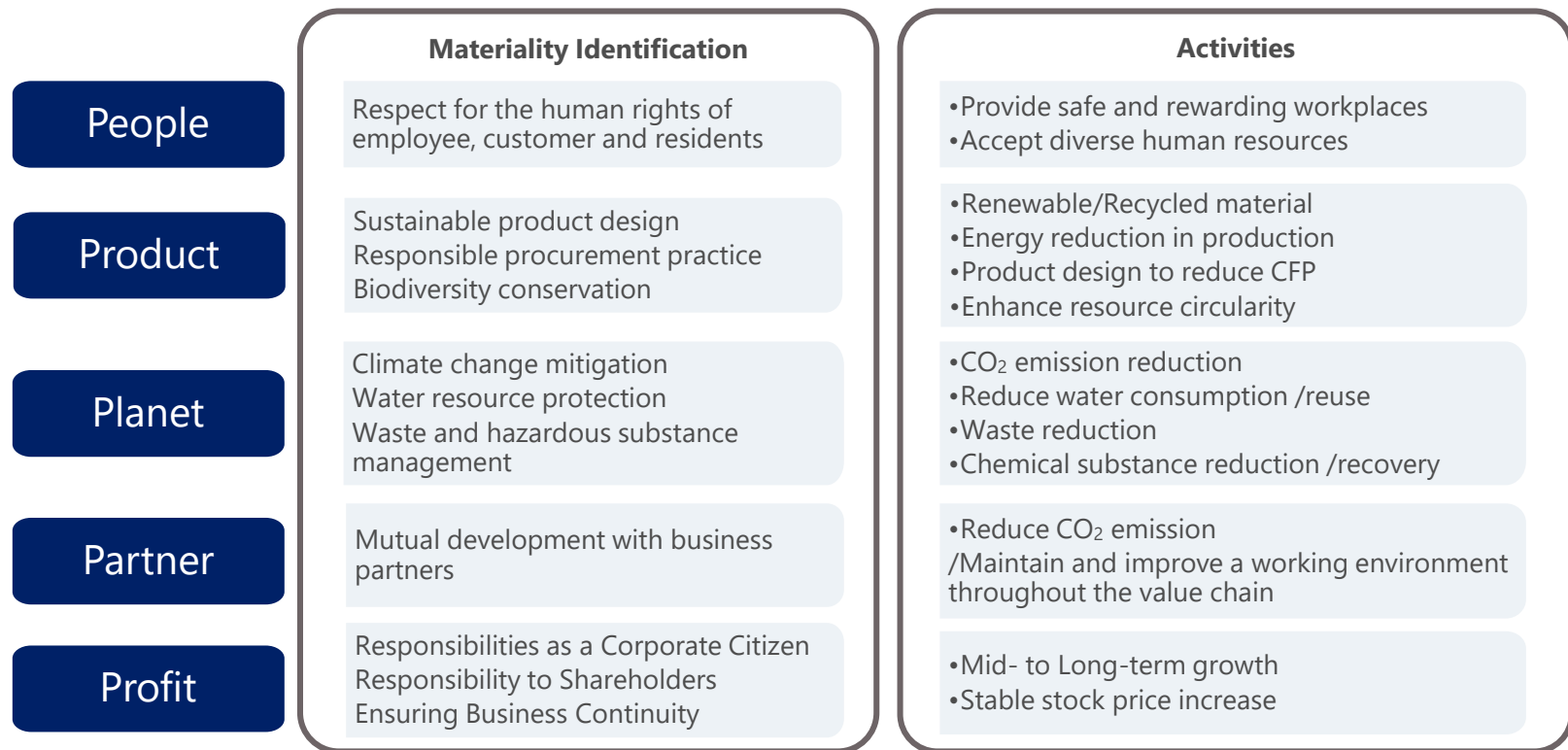
We have endorsed the Task Force on Climate-related Financial Information Disclosures (TCFD) recommendations to proactively address climate change, a key sustainability issue, and have conducted a scenario analysis of the risks and opportunities posed by climate change to our business based on the recommendations and disclosed related information. In the future, we will expand the scope of the analysis, reflect the results in our management strategies, and further enhance the disclosure of information on financial impacts.

At the same time, we also received certification from the Science Based Targets initiative (SBTi) for "Science Based Targets for Small and Medium Enterprises (SBT for SMEs)" regarding our greenhouse gas emission reduction targets. We will continue to promote further measures to combat climate change in order to contribute to the realization of a decarbonized society.

# BASIC APPROACH TO CLIMATE CHANGE

► In promoting sustainability, we have established five "P" priority areas and identified materialities in each area to meet the needs of all stakeholders, including customers, business partners, shareholders, employees, and local residents. We have identified materiality in each of these areas.

## Key focus areas to promote sustainability for Ultrafabrics group



► With regard to climate change, we recognize that it is the important issue related to Products and Partners, with a focus on Planet among the five priority areas, and we will work on various themes to solve the issue, such as reducing CO<sub>2</sub> emissions in our group.

# (REFERENCE) SUMMARY OF TCFD PROPOSED DISCLOSURE RECOMMENDATIONS

Item	Summary	Description
Governance	Governance of the organization with respect to climate-related risks and opportunities	Board oversight of risks and opportunities
		Management's role in assessing and managing risks and opportunities
Strategy	Organization's climate-related risks/opportunities and their impact on business, strategy, and finances	Short-, medium-, and long-term risks and opportunities
		Impact of risks and opportunities on business, strategy, and finance
		Impact of 2°C target and other climate scenarios, resilience of organizational strategy
Risk management	Processes for identifying, assessing, and managing climate change risks	Climate-related risk identification and assessment process
		Climate-related risk management process
		Status of integration into organization-wide risk management
Indicators and Targets	Indicators and targets used to assess and manage climate-related risks and opportunities	Indicators used to manage climate change risks and opportunities
		Greenhouse gas emissions (Scope 1,2,3)
		Targets and performance used to manage climate change risks and opportunities

▶ Our group has established the "Sustainability Committee" to promote the resolution of issues in each priority area. The committee is chaired by the Chief Sustainability Officer, a member of the Board of Directors, and includes the executive officers of relevant divisions. The committee is responsible for formulating basic sustainability policies, formulating policies, targets, and promotion plans for addressing key issues in each area, and overseeing and evaluating the progress of activities.

▶ The Committee reports quarterly to the Board of Directors and the Leadership Team, which is composed of directors of each subsidiary, on matters deemed particularly important by the Committee and reflects them in the policies, measures, financial targets, etc. of the Mid-term Management Plan. The activities of the Committee are also managed and supervised by management through the ISO 14001 environmental management system.

## Sustainability Committee in the Organizational Chart



▶ Remuneration for our company's directors consists of base (fixed) and incentive remuneration. Results in company's sustainability promotion are reflected in part in incentive remuneration.

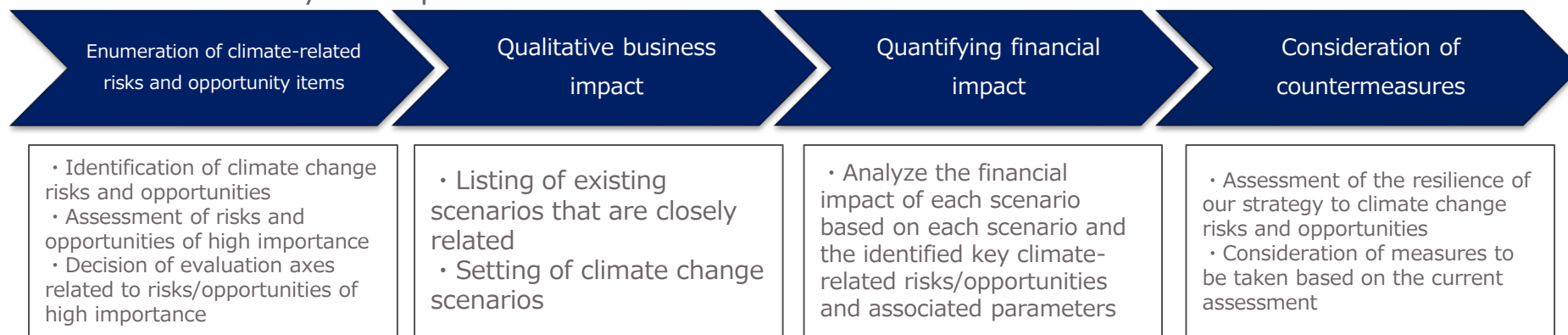
# STRATEGY : ① SCENARIO ANALYSIS STEPS

► Based on following multiple scenarios, an assessment of the business and financial impact of climate change was conducted according to the following steps.

## ■ Reference Scenarios

Classification	Scenario Overview	Type of risk as subject of analysis	Reference scenario
4°C scenario	Scenario in which temperatures rise as expected without progress in climate change action, resulting in physical risks/opportunities	Physical risk "Acute" and "Chronic"	- IEA World Energy Outlook2020. Stated Policy Scenario - IPCC RCP8.5
2°C scenario (Less than)	Scenarios in which various activities are implemented to prevent global warming and risks/opportunities associated with the transition to a decarbonized society	Transition risk "Policy and Regulation", "Technology", "Market", and "Reputation"	- IEA World Energy Outlook 2020. Sustainable Development Scenario Net Zero Emission 2050 - IPCC RCP2.6/SSP2.6

## ■ Scenario Analysis Steps



# STRATEGY : ② TYPES OF CLIMATE CHANGE RISKS AND OPPORTUNITIES

► The risks and opportunities associated with climate change were identified and listed by type as follows.

## ■ Types of Climate Change Risks and Opportunities

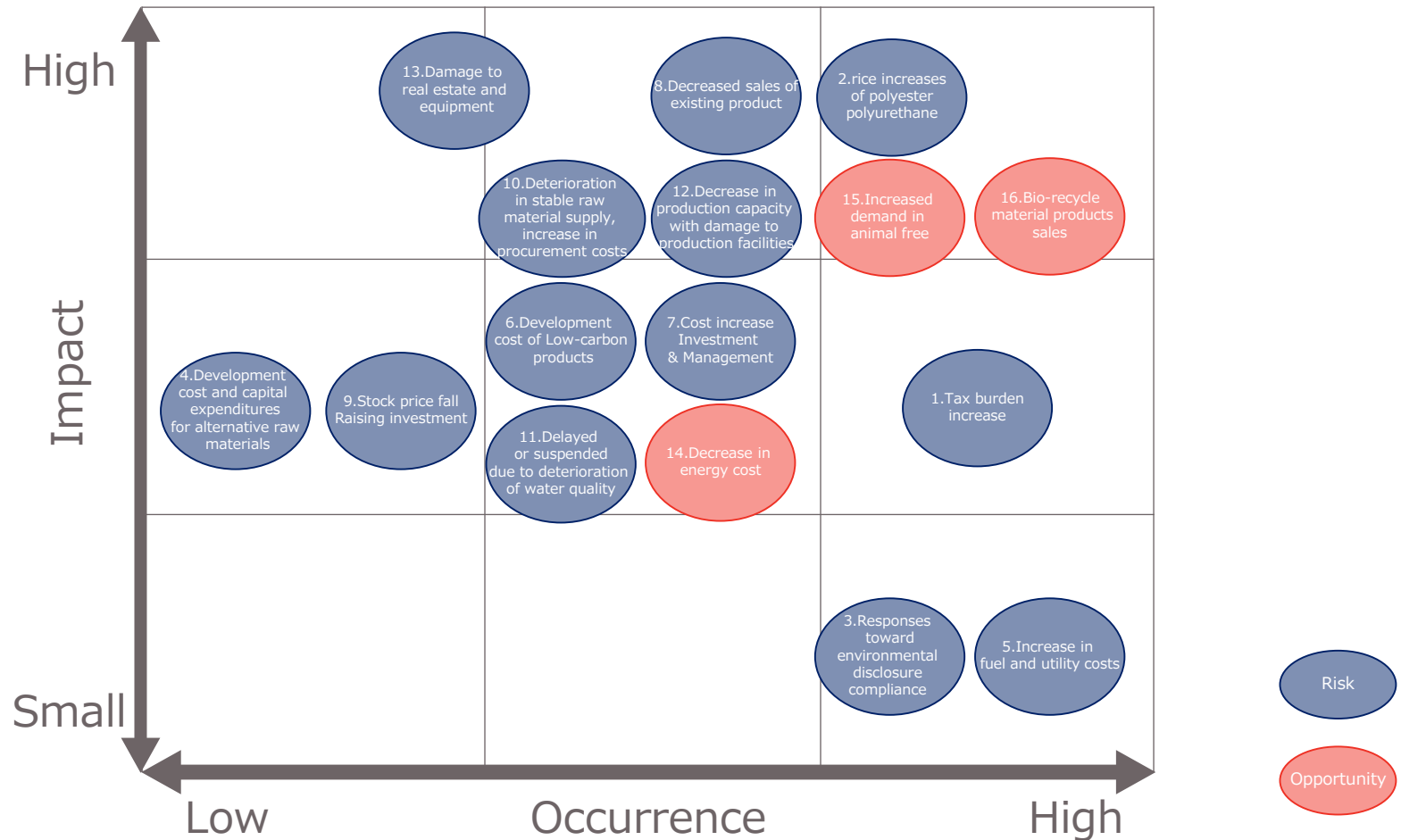
	Category	Subcategory	Examples of major aspects and cuts
<b>Risk</b>	Transition risk	Policy and Regulatory risk	Tighter regulations on GHG emissions, expanded information disclosure requirements, etc.
		Technology risk	Replacement of existing products with low-carbon technologies, failure to invest in new technologies, etc.
		Market risk	Changes in consumer behavior, uncertain market signals, rising raw material costs, etc.
		Reputation risk	Changing consumer preferences, blame on the industry, increased stakeholder concerns, etc.
	Physical risk	Acute risk	Increased severity and increase in extreme weather events such as cyclones and floods, etc.
		Chronic risk	Changes in rainfall and weather patterns, higher average temperatures, rising sea levels, etc.
<b>Opportunity</b>	Energy source		Appeal to customers by reducing fossil energy risks and increasing renewable energy rates
	Products & Services		Expand sales of climate change mitigation and adaptation products
	Market		Expansion of products using bio-based materials in consideration of climate change



# STRATEGY : ③ IDENTIFICATION OF CLIMATE CHANGE RISKS AND OPPORTUNITIES

► We evaluated the risks and opportunities that may arise for our company on two axes : impact and probability of occurrence.

## ■ Assessment of Climate Change Risks and Opportunities



# STRATEGY : ④ FINANCIAL IMPACT AND RESPONSE MEASURES

## ■ Financial impact and response to climate change risk

	Category	Sub category	Driver (of a vehicle)	No.	Business Impact	Financial Impact	Our Response
Risk	Transition risk	Policy and Regulation	Introduction of carbon tax and increase in carbon tax rate	1	Increase in our tax burden	- -	Monitoring policy trends Reduction of CO2 emissions
				2	Rise in raw material (polyester and urethane) prices	- - -	Monitoring policy trends Reduction of CO2 emissions
			Regulatory measures for products and raw materials	3	Cost of compliance with requirements for measurement and display of environment-related information	-	Monitoring of environmental regulatory trends
				4	Switch to alternative raw materials Increase in new product development costs and capital expenditures that do not use regulated raw materials	- -	Monitoring of environmental regulatory trends
				5	Increasing Energy Mix	-	Reduction of energy use
		Technology	Transition to low-carbon products	6	Increase in low-carbon product development costs and capital investment	- -	Collaboration with raw material and equipment manufacturers
			Introduction of low-carbon technologies	7	Increase in capital investment running costs due to introduction of low-carbon manufacturing technology	- -	
		Market	Growing preference for low-carbon products	8	Sales of our existing products declined due to preference for low-carbon products.	- - -	Development of low-carbon products in collaboration with manufacturers of raw materials and equipment
		Reputation	Increased stakeholder concerns	9	Decline in stock prices and investment pullback	- -	Appeal for a low-carbon posture
	Physical risk	Chronic	Average temperature increase, change in precipitation patterns	10	Deterioration in stable supply of raw materials, increase in procurement costs	- - -	Stable procurement through multiple suppliers
				11	Delays or stoppages in production due to water shortages and deterioration in water quality caused by drought, etc.	- -	Reduction of water consumption
		Acute	Increase in the rate and severity of extreme weather events	12	Decrease in production capacity due to damage to production sites	- - -	Business Continuity Planning
				13	Impact on business continuity due to loss of owned real estate facilities and damage to facilities	- - -	
Opportunity	Energy source	Introduction of renewable energy sources	14	Decreased energy costs Strengthen BCP to prepare for physical risks	+ +	Installation of solar panels and other renewable energy sources	
	Products & Services	Helping to support the transition to a decarbonized society	15	Growing demand for animal-free, lightweight, and long-life materials	+ + +	Further weight reduction and durability improvement	
	Market	Access to new markets	16	Sales of low-carbon products using bio-recycled materials	+ + +	Promote utilization of bio/recycled materials	

The number of +,- represents the magnitude of each influence.

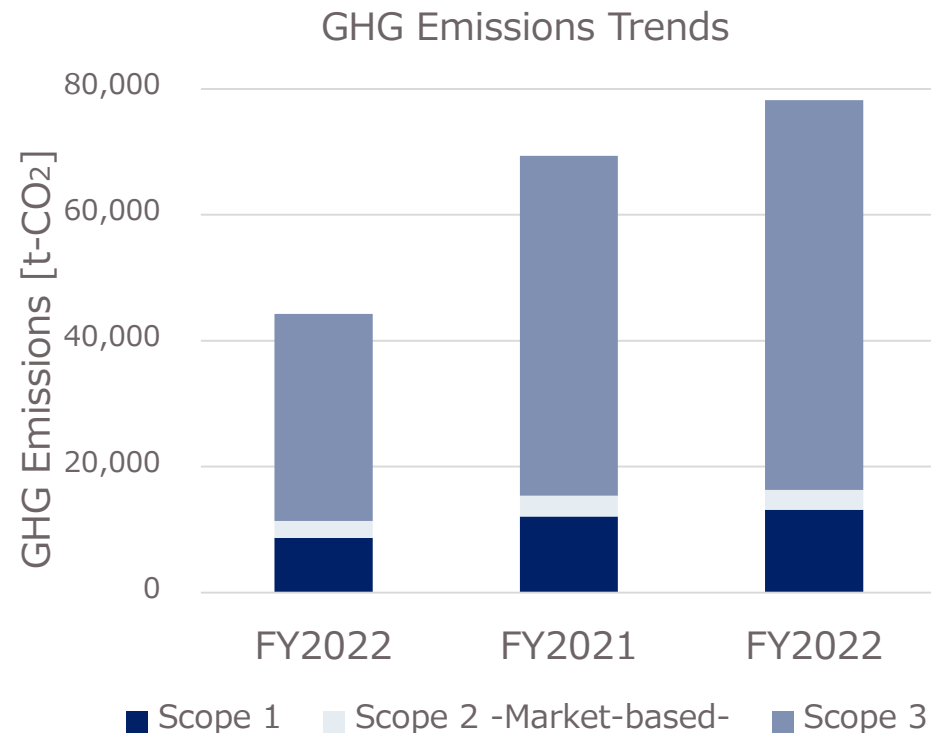
- ▶ We regard risks related to climate change as one of our key risks, and our Sustainability Committee identifies and assesses risks and opportunities to discuss and examines countermeasures and preventive actions. The Sustainability Committee reports particularly important agenda items to the Board of Directors.
- ▶ The importance of identified risks is determined based on their impact and frequency of occurrence, and countermeasures are considered and implemented for critical risks.

# INDICATORS AND TARGETS -CALCULATION OF GHG EMISSIONS

► We have calculated our GHG emissions from FY 2019 to FY 2021 in accordance with the GHG Protocol approach.

Emissions by Scope	FY2020 [t-CO <sub>2</sub> ]	FY2021 [t-CO <sub>2</sub> ]	FY2022 [t-CO <sub>2</sub> ]
Scope 1	8,699	12,105	13,125
Scope 2 Market-based	2,663	3,265	3,173
Scope 2 Location-based	2,615	3,128	3,040
Scope 3	32,901	54,014	61,894
Total Market-based	44,263	69,383	78,192
Total Location-based	44,215	69,246	78,059

Scope3 Emissions by Category	FY2020		FY2021		FY2022	
	Amount [t-CO <sub>2</sub> ]	Composition rate [%]	Amount [t-CO <sub>2</sub> ]	Composition rate [%]	Amount [t-CO <sub>2</sub> ]	Composition rate [%]
Category 1	22,763	69	37,273	69	41,005	66
Category 2	279	1	2,009	4	1,796	3
Category 3	412	1	493	1	479	1
Category 4	4,474	14	9,358	17	13,685	22
Category 5	760	2	1,071	2	1,202	2
Category 6	38	0	41	0	43	0
Category 7	100	0	106	0	109	0
Category 9	4,075	12	3,664	7	3,576	6
Total	32,901	100	54,014	100	61,894	100



Market-based: Emission factors based on electricity purchase contracts are used.

Location-based: A method that calculates emissions from secondary energy sources such as electricity using a grid average for the same grid or market.

# INDICATORS AND TARGETS - TARGETS

► Based on the current situation, we have set the following goals

► GHG emission reduction targets

We have been working to reduce CO<sub>2</sub> emissions, and have obtained SBT for SMEs approval, with the goal of reducing our 2030 Scope 1,2 emissions by 42% from the 2021 level.

In addition, for Scope 3, we will monitor emissions and make efforts to reduce emissions.

► Water consumption reduction target

We have set a goal of reducing water consumption per unit of production by 20% by 2025 compared to 2020.

	FY2020	FY2021	FY2022
Water Consumption [t/yard]	0.058	0.051	0.046

► Waste-related targets

Our goal is to maintain the ratio of nonconforming sales or returned products generated during the manufacturing to sales process to production at 3% or less.

	FY2020	FY2021	FY2022
Waste Rate [%]	3.15	2.33	3.46