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For immediate release

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Code No.:	4235 (TSE Standard Market)
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Notice of formulation of Medium-Term Management Plan

Ultrafabrics Holdings Co., Ltd. hereby announces that it has formulated a new Medium-Term Management Plan (FY2024-FY2026), commencing in the fiscal year ending December 2024.

Ultrafabrics Holdings has been carrying out various initiatives based on the previous Medium-Term Management Plan (FY2023-FY2025), announced on February 14, 2023, and as shown in the consolidated results for the fiscal year ended December 2023, announced together with this notice, sales revenue and profit were almost in line with our initial forecasts.

The company believes it is appropriate to set a rolling three-year management plan to ensure a timely response to changes in the operational environment and has therefore formulated a new Medium-Term Management Plan (FY2024-FY2026).

2024-2026 Medium-Term Management Plan

Earnings targets for period ending December 2026: sales revenue ¥30.7bn, operating income ¥5.1bn, EBITDA ¥7.2bn

1) Diversification of sales revenue streams
2) Capacity expansion through partnership strategy
3) Focus on sustainability
4) Maintain and improve profitability

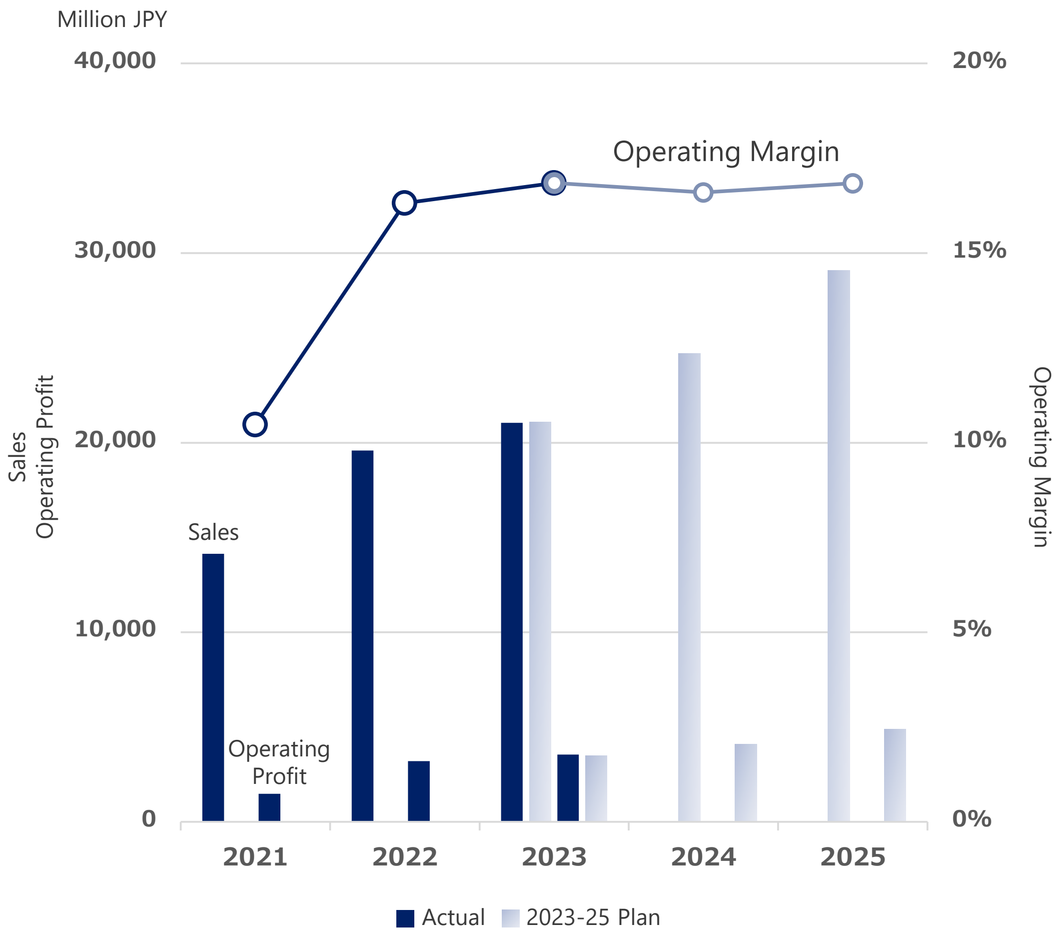
For details, please refer to the attached document.

Please direct any enquiries to Takano, General Manager of Corporate Planning Department, at 042-644-6515.

Disclaimer: Earnings forecasts and other forward-looking statements in this document are based on information currently available to Ultrafabrics Holdings and certain assumptions viewed as reasonable by the company, and as such they do not constitute a guarantee that the forecasts will be realized. Actual earnings may differ significantly due to various factors.

2024-26 Mid-Term Management Plan

Progress with 2023-25 Mid-Term Management Plan



FY2023 broadly in line

Built structures to help diversify sales revenue streams

- Enhanced sales function for residential outdoor applications
- Enhanced sales function in Europe

Moves to expand production through partnerships

- Started end-product shipments by domestic partners
- Looking at building production systems with overseas partners
- Secured alternative production capacity for emergencies

Sustainability

- Shared human rights, corporate ethics principles with suppliers

Policy

Additions/changes from 2023-2025 Medium-Term Management Plan

- **Diversification of sales revenue streams**
  - Region: Extend focus from N. America to include Europe
  - Application: Reduce dependence on automotive applications for growth by expanding other applications; for furniture, expand from office/healthcare into residential
  - Customers: Identify new clients to avoid rising dependence on certain customers

- **Strategic costs**
  - R&D costs: Allocate 2% of sales revenue from 2025 to ensure structural support for enhanced development capabilities (1.2% in 2023)
  - Sustainability costs: Allocate 1% of sales revenue from 2025 to raise investment/spending on CO2 reduction

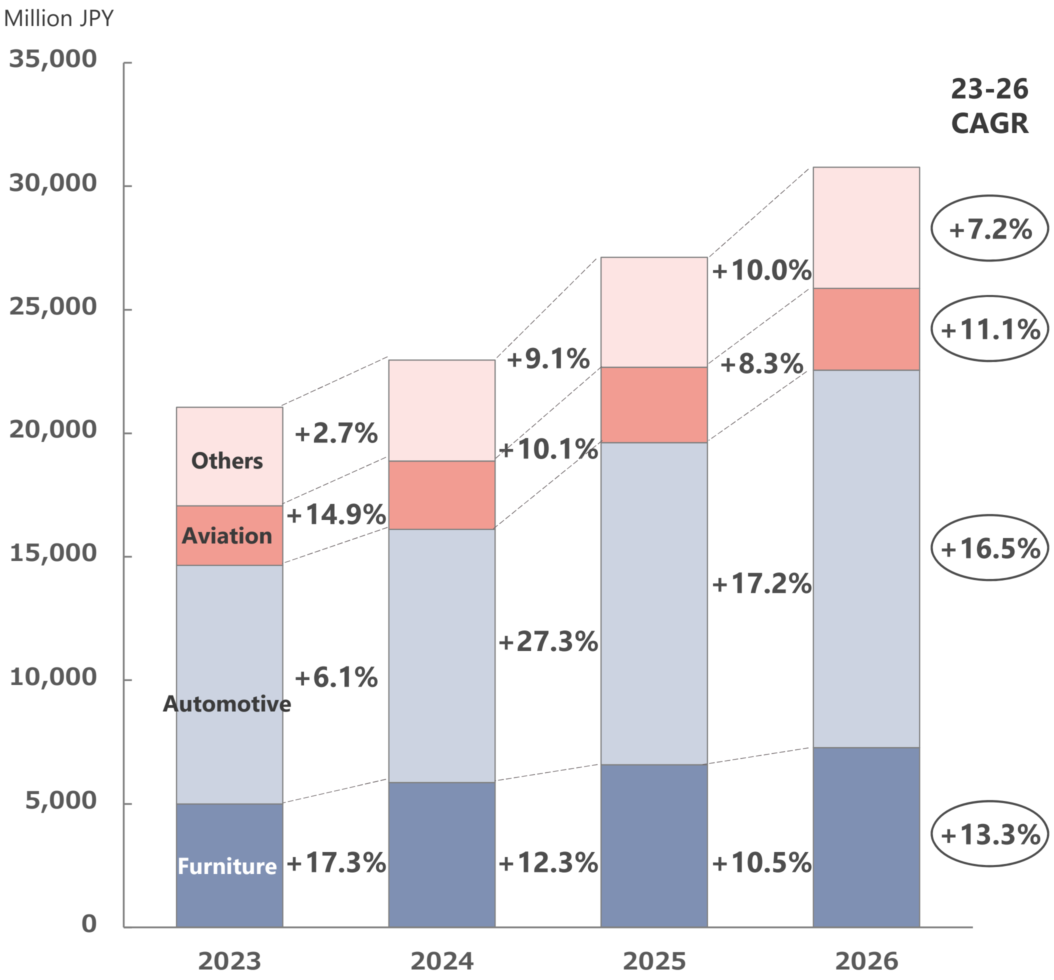
- **Forex assumptions: ¥140/$ (¥125/$ in previous Plan)**

Policy/Strategy

Basic policy/strategy unchanged from 2023-2025 Plan

		Initiative	Progress
Sales revenue	Regional expansion	• Expand European sales function	• Recruitment, training broadly complete • Generate around 20% of revenue in Europe in 2026
	Application / channel expansion	• Start entering on untapped markets -Residential -Wholesalers (for furniture)	• Designated residential outdoor products as strategic category • Target clients set, recruitment complete
	Client diversification	• Win seat projects for new clients (esp. EVs)	• Working to win new projects from Euro EV OEMs
		• Expand sales to EUR/APAC-based airlines	
Capacity expansion	Partnership strategy	• Enhance production support/QC systems for domestic partners • Build overseas production systems	• Started end-product shipments by domestic partners • Looking at building production systems with overseas partners
Sustainability focus ⇒**Establish Ultrafabrics as a sustainable brand**		• Develop sustainable products using bio/recycled materials • Transformation into sustainable plant by achieving sustainability targets in production processes	• Enhancing development, QC systems • Chiyoda Plant becoming more sustainable • Designated R&D/sustainability as strategic costs
		• Share sustainability targets with suppliers, partners	• Shared human rights, corporate ethics policies with suppliers
Maintain/raise profitability		• Build profit/loss management system to aid product portfolio review • Raise productivity	• Implementing management accounting system

Sales Targets by Application



Furniture

- Expand for residential applications as well as healthcare/office
- Diversify sales channels (wholesalers), regions (Europe)

Automotive

- Win new projects for European EVs, as well as sales growth for large existing clients

Aviation

- Expand client base from US to include APAC, European airlines

Other

- Expand focus to include European market

Sales Targets by Application: Aviation

Lightweight

- About half/two-thirds that of real leather, PVC, helps reduce fuel consumption and CO_2 emissions

Strategic product Atago

- Lightweight: around 1lb per seat (450g)
- Seat structure simplified through use of flame-resistant materials

Solutions

- Solutions combining products with differing functions to meet various client needs

Sales expansion to APAC/EUR airlines

High margins relative to other applications

Needs replacement every few years

Earnings Targets

Million JPY

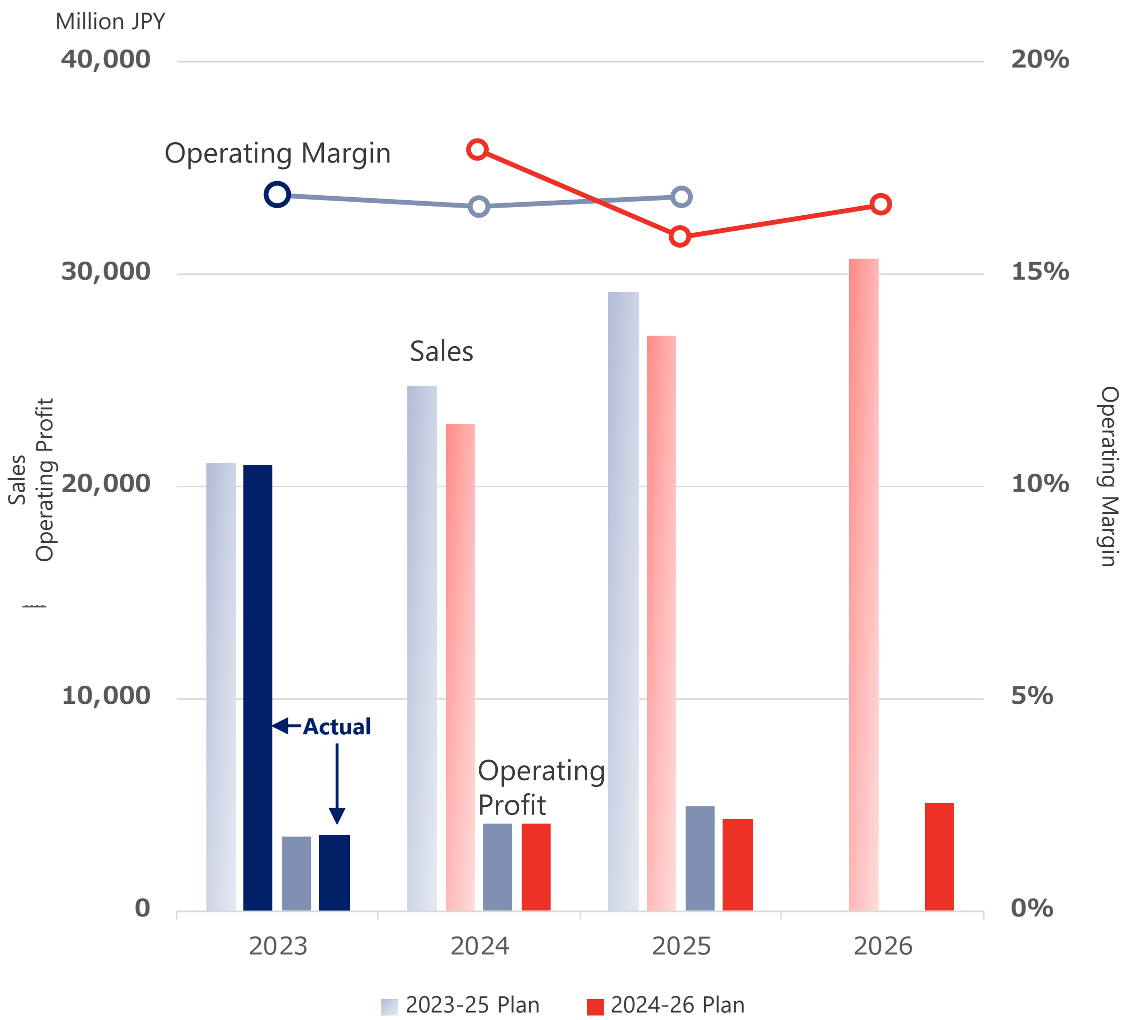
	Actual	Mid-term Management Plan			
	FY2023	FY2024	FY2025	FY2026	CAGR
Sales	21,045	22,900	27,100	30,700	+13.4%
Gross Profit	11,048	11,800	12,800	14,100	+8.5%
Operating Profit	3,546	4,100	4,300	5,100	+12.9%
Net Income Before Tax	2,892	3,500	3,700	4,500	+15.9%
Net Income	2,375	2,400	2,600	3,200	+10.4%
EBITDA	5,186	6,000	6,600	7,200	+11.6%
					(2026 vs 2023)
Gross Margin	52.5%	51.5%	47.2%	45.9%	-6.6pt
Operating Margin	16.8%	17.9%	15.9%	16.6%	-0.2pt
EBITDA/Sales	24.6%	26.2%	24.4%	23.5%	-1.2pt
ROE	16.7%	14.5%	13.7%	15.2%	-1.5pt
# of Shares (fully dilluted)*	19,022	19,699	19,895	20,536	-
EPS	124.9	121.8	130.7	155.8	-
Avg FX Rate	140.6	140.0	140.0	140.0	-

*Afer share split, thousands

Earnings Targets

- **Target 2024 sales revenue JPY 22.9 bil (+108.8% YoY), Operating income 4.1 bil (+115.6%), Net income 2.4 bil (+101.0%)**
  - Some concerns over US economy, forex, but we expect sales growth for commercial aircraft, and for furniture recovery from the prior-year inventory correction and enhanced sales to wholesalers, Europe, and residential applications
  - Gross Margin to fall on higher outsourced production, but Operating Margin to improve on SG&A cost control
  - Net income up only slightly as the one in the prior year was inflated due to lower-than-expected effective tax rate, coming from transfer pricing adjustment
- **2025 the preparatory year for next growth stage**
  - Sales revenue includes contribution from sales to European EV makers
  - Gross Margin, Operating Margin to fall on higher sustainability costs, depreciation costs linked to start of operations at Chiyoda Plant; profit growth limited
- **3-year CAGR of 13.4% for sales revenue, 12.9% for operating income**
- **Foreign Exchange Sensitivity: JPY 60 mil at Operating Profit in case 1 JPY fluctuation against USD**
- **ROE to dip but trend above cost of capital (11.5%), back to 15%+ in 2026**

Comparison with 2023-25 Plan



2024 profit forecasts unchanged, but 2025 cut

- Updated forex assumption
  - ¥125/\$ ⇒ ¥140/\$
- Lower sales volume forecast
  - 2023 earnings below initial Budget
  - Automotive: client production forecasts cut, some projects ended

Cash Flow & Dividends

Million JPY

	Actual	Mid-term Management Plan		
	FY2023	**FY2024**	**FY2025**	**FY2026**
Operating Cashflow	2,929	4,100	3,600	4,500
Net Income	2,892	3,500	3,800	4,600
Tax	-905	-1,100	-1,100	-1,300
Depreciation	1,598	1,500	1,900	1,700
Change in Working Capital	353	-100	-1,300	-900
Investment Cashflow	-2,034	-4,600	-800	-700
Financial Cashflow	-1,394	500	-3,100	-3,500
Cashflow Total	-499	100	-200	300
Net D/E Ratio	0.8	0.7	0.6	0.4
DPS (JPY)				
Common Stock	39	39	-	-
Preferred Stock	85	85	-	-
Distribution Total	715	715	-	-
Dividend Payout Ratio	30.1%	29.8%	-	-

Cash Flow & Dividends

ultrafabrics holdings Uf

- 3-year operating cash flow total JPY 12.2 bil
- 3-year investment of ¥4.8bn: Chiyoda Plant machinery & equipment 3.3 bil; existing plant renewal/R&D investment 1.6 bil
  Of which, 1.6 bil to be allocated to sustainability investment, including solar panels, hydrogen boilers
- Forecast 1.2 bil of investment/financing for building overseas production operations
- Chiyoda Plant investment covered by new loans, but expect to improve net debt/equity ratio by lowering interest-bearing debt through scheduled payments on existing loans
- Dividend payout ratio set at 30%, aimed at striking balance between profit-generating investment, retained earnings, shareholder returns on assumption capex demand will stay high through 2024
  May raise dividend payout ratio target if no new funding demand arises in 2025 and beyond
- Target FY2024 DPS of JPY 39 for common stock, on assumption net income will trend flat YoY