

# Ultrafabrics Holdings Co., Ltd.

## Climate-related Financial Disclosure



August 2026

## ■ Top Message

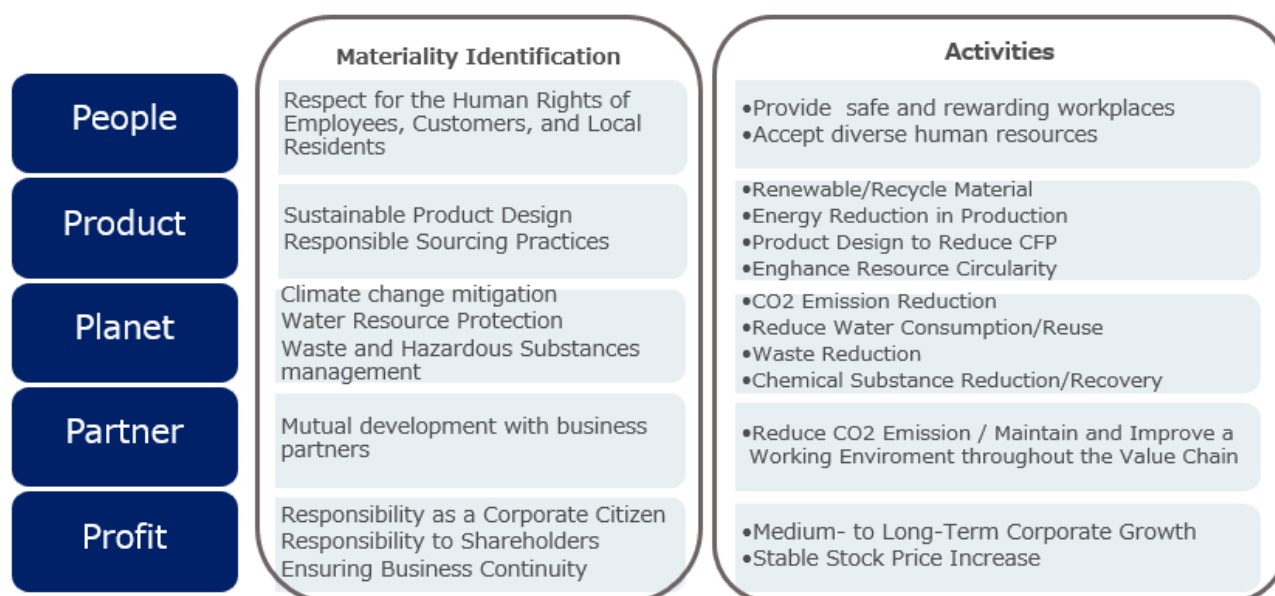
Ultrafabrics Group believes that, for a company to grow and prosper over the long term, not only the company itself but also the society surrounding it must be prosperous and sustainable. To this end, we believe it is important to address social issues as an important member of society. As an expression of this commitment, we have established “Emphasize sustainability and contribute to society” as one of our Group’s management philosophies.

As part of putting this management philosophy into practice and proactively taking action on climate change, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in 2023, conducted scenario analyses of climate-related risks and opportunities affecting our business based on those recommendations, and disclosed the related information. We have now also begun quantitative analysis and are able to disclose information on financial impacts.

In 2023, we also obtained validation for our greenhouse gas emissions reduction target under the Science Based Targets for SMEs framework from the Science Based Targets initiative (SBTi). We will continue to further advance climate-related initiatives to contribute to the realization of a decarbonized society.

## ■ Basic Approach to Climate Change

In promoting sustainability, our Group has established five priority areas expressed by the five “Ps” in order to respond to the expectations of all stakeholders, including customers, suppliers, shareholders, employees, and local communities, and has identified material issues within each area.



We recognize climate change as a material issue related primarily to Planet, one of the five priority areas, as well as to Product and Partner. Accordingly, we are addressing various themes aimed at resolving these issues, including reducing CO<sub>2</sub> emissions across the Group.

## ■ Governance

Our Group has established a Sustainability Committee to advance initiatives addressing issues in each priority area. The Committee is chaired by the Chief Sustainability Officer, who is a director, and its members include executives responsible for implementation in relevant departments. The Committee formulates basic policies for promoting sustainability, develops response policies, targets, and implementation plans for material issues in each area, and oversees and evaluates the progress of activities. Each member implements plans within their respective departments based on the policies and targets determined by the Committee.

The activities of the Committee and the issues it faces are reported to the Group Management Committee, which is attended by executives of the Company and its subsidiaries. Particularly important matters are discussed by the Board of Directors, and decisions made by the Board are reflected in the Committee's activity policies and in the policies, measures, and financial targets of the medium-term management plan. Management also oversees and supervises the Committee's activities through the ISO 14001 environmental management system.

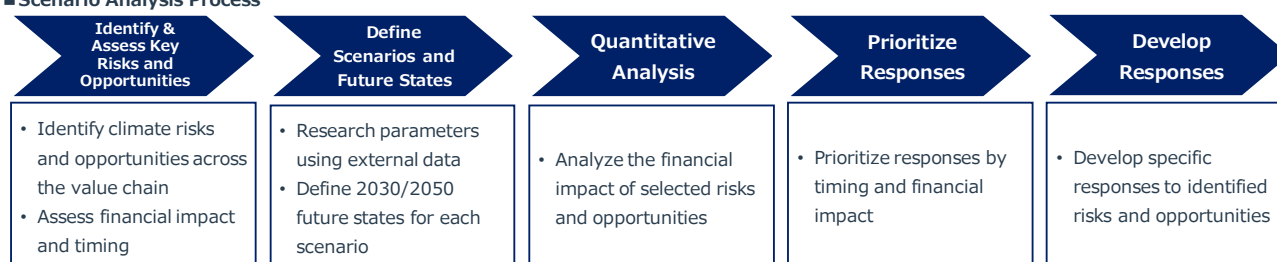


Compensation for the Company's Directors consists of basic compensation, which is fixed, and incentive compensation. A portion of incentive compensation reflects performance in promoting sustainability.

## Strategy

Our Group conducts scenario analysis to identify climate-related risks and opportunities that may affect its business. In this analysis, we assume multiple scenarios, each reflecting a different temperature pathway and future operating environment, and identify the risks and opportunities expected under each scenario. For the risks and opportunities identified, we conduct qualitative and quantitative analyses and organize corresponding response measures with the aim of ensuring the continuity of our Group's business under any future scenario.

### ■ Scenario Analysis Process



The scenarios used in the analysis are a below 2° C scenario, in which the transition to a decarbonized society progresses, and a 4° C scenario, which assumes a world in which natural disasters become more severe. We analyze the impact of these scenarios on the Group's strategy over the short, medium, and long term. The specific scenarios used are as follows.

### ■ Reference Scenarios

| Scenario           | Overview                                                                                                          | Risk Type                                                                 | Reference Scenario & Assumptions                |                                                                                                                                                                                          |
|--------------------|-------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4°C Scenario       | Limited climate action drives warming and physical risks and opportunities.                                       | Physical risks (Acute / Chronic)                                          | • IEA:<br>- Current Policies Scenario           | Without climate policies such as carbon taxes, fossil fuel dependence continues. High-cost resource development raises oil and gas prices.                                               |
|                    |                                                                                                                   |                                                                           | • IEA:<br>- Stated Policies Scenario            | Announced policies stabilize power prices and advance decarbonization, but rising demand sustains fossil fuel use and emissions keep growing.                                            |
|                    |                                                                                                                   |                                                                           | • IPCC:<br>- RCP8.5                             | Continued high GHG emissions accelerate warming. Compound floods, storm surges and other extremes become frequent, exceeding adaptation limits and threatening lives and infrastructure. |
| Below 2°C Scenario | Strong climate action drives the transition to a low-carbon economy, creating transition risks and opportunities. | Transition risks (Policy & Regulation / Technology / Market / Reputation) | • IEA:<br>- Net Zero Emissions by 2050 Scenario | Broad carbon pricing sharply reduces fossil fuel demand, causing oil and gas prices to fall.                                                                                             |
|                    |                                                                                                                   |                                                                           | • IEA:<br>- Sustainable Development Scenario    | Decarbonization investment briefly raises power prices, but efficiency and electrification reduce total corporate energy costs.                                                          |
|                    |                                                                                                                   |                                                                           | • IPCC:<br>- RCP2.6                             | Rapid decarbonization raises transition costs, while deep emission cuts and adaptation limit future flood risk and support sustainable growth.                                           |

Using the scenarios described above, we organized transition risks and opportunities that may arise from the shift to a decarbonized society, as well as physical risks and opportunities that may result from rising temperatures and the increasing frequency of extreme weather events. For certain risks and opportunities, we estimated the financial impact in 2030 and 2050 and quantitatively assessed the financial impact based

on those results. These estimates assume that activity levels in each future year remain the same as the actual levels recorded in fiscal 2025.

#### ■ Risk List

| Risk Category |                     |                                                                              | Business Impact  |                                                                                                                                                                                                                                 |                  |                                                                                                        |
|---------------|---------------------|------------------------------------------------------------------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------------------------------------------------------------------------------------------------|
|               |                     |                                                                              | Time Horizon     | Risk                                                                                                                                                                                                                            | Financial Impact | Response                                                                                               |
| Transition    | Policy & Regulation | Carbon Pricing (Carbon Tax)                                                  | Short-Long Term  | Higher carbon tax burden                                                                                                                                                                                                        | High             | Monitor policy trends<br>Reduce CO <sub>2</sub> emissions                                              |
|               |                     | Emissions Trading                                                            | Short-Long Term  | Higher emission allowance costs                                                                                                                                                                                                 | Medium           | Monitor policy trends<br>Reduce CO <sub>2</sub> emissions                                              |
|               |                     | Plastics Regulation                                                          | Medium-Long Term | Higher compliance costs for bioplastics and eco-design rules, including capex, development and taxes<br>Shift to alternative materials<br>New product development and capex to avoid restricted materials                       | Medium           | Monitor environmental regulations<br>Shift to bio-based and recycled materials                         |
|               |                     | Recycling Regulation                                                         | Short-Long Term  | Higher disposal costs for production waste, including offcuts, defects, packaging and worn machine parts                                                                                                                        | Medium           | Prevent waste generation                                                                               |
|               |                     | Disclosure Requirements                                                      | Short-Long Term  | Cost of meeting environmental data measurement and labeling requirements                                                                                                                                                        | Low              | Monitor environmental regulations                                                                      |
|               |                     | Other Regulations                                                            | Short-Long Term  | Lost sales if European environmental standards, such as emissions disclosure, are not met<br>Lost sales and divestment risk from misleading product claims or greenwashing                                                      | Medium           | Monitor environmental regulations                                                                      |
|               | Technology          | Low-Carbon Technology                                                        | Medium-Long Term | Higher development costs and capex for low-carbon products<br>Higher capex and operating costs for low-carbon manufacturing technology                                                                                          | High             | Partner with material and equipment suppliers                                                          |
|               | Market              | Energy Cost Changes                                                          | Medium-Long Term | Higher energy costs                                                                                                                                                                                                             | Low              | Reduce energy use<br>Shift to renewable energy                                                         |
|               |                     | Raw Material Cost Changes                                                    | Medium-Long Term | Higher polyester and urethane prices                                                                                                                                                                                            | High             | Monitor policy trends<br>Reduce CO <sub>2</sub> emissions<br>Shift to bio-based and recycled materials |
|               |                     | Customer Preference Shifts                                                   | Short-Long Term  | Lower sales of existing products as customers favor low-carbon options                                                                                                                                                          | High             | Co-develop low-carbon products with suppliers<br>Shift to bio-based and recycled materials             |
|               | Reputation          | Investor Sentiment                                                           | Short-Long Term  | Share price decline and investor withdrawal                                                                                                                                                                                     | Medium           | Communicate decarbonization efforts                                                                    |
| Physical      | Acute               | More Severe Extreme Weather (Typhoons, Heavy Rain, Landslides, Storm Surges) | Medium-Long Term | Lower capacity from damaged production sites<br>Business disruption and property damage<br>Lower revenue from supplier damage and logistics disruption                                                                          | Medium           | Strengthen BCP<br>Diversify production sites                                                           |
|               |                     | Drought                                                                      | Short-Long Term  | Production delays or shutdowns from water shortages or poor water quality                                                                                                                                                       | Medium           | Reduce water use<br>Diversify production sites                                                         |
|               | Chronic             | Rising Average Temperatures                                                  | Short-Long Term  | Less stable material supply and higher procurement costs<br>Higher cooling costs<br>Lower capacity from heat-related resin degradation<br>Lower revenue from reduced productivity, shutdown risk and higher manufacturing costs | High             | Use multiple suppliers<br>Diversify production sites                                                   |
|               |                     | Infectious Disease Growth                                                    | Short-Long Term  | Lower output and sales from capacity loss during dengue outbreaks                                                                                                                                                               | Medium           | Diversify production sites                                                                             |

\*1 [Time Horizon] Short: <3 years; Medium: 3–10 years; Long: >10 years

\*2 [Financial Impact] High: ≥10% of sales profit; Medium: 1–10%; Low: <1%. Partly updated using quantitative analysis and FY2025 securities report results.

## ■ Opportunity List

| Opportunity Category |                     |                                                                              | Business Impact  |                                                                                                                                          |                  |                                                                            |
|----------------------|---------------------|------------------------------------------------------------------------------|------------------|------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------------------------------------------------------------------|
|                      |                     |                                                                              | Time Horizon     | Opportunity                                                                                                                              | Financial Impact | Response                                                                   |
| Transition           | Policy & Regulation | Carbon Pricing                                                               | Medium-Long Term | Lower carbon tax burden when emission targets are met                                                                                    | Medium           | Monitor policy trends                                                      |
|                      |                     | Emissions Trading                                                            | Short-Long Term  | Revenue from selling surplus allowances after exceeding reduction targets                                                                | Medium           | Monitor policy trends<br>Reduce CO <sub>2</sub> emissions                  |
|                      |                     | Plastics Regulation                                                          | Medium-Long Term | Higher bioplastics demand from public procurement and consumer incentives                                                                | Medium           | Shift to bio-based and recycled materials                                  |
|                      |                     | Disclosure Requirements                                                      | Short-Long Term  | Higher equity from stronger investor confidence in climate disclosure                                                                    | Medium           | Communicate decarbonization efforts                                        |
|                      | Technology          | Low-Carbon Technology                                                        | Long Term        | Lower equipment costs as energy-efficient machinery becomes widespread                                                                   | Medium           | Adopt high-efficiency equipment                                            |
|                      |                     | Energy Cost Changes                                                          | Medium-Long Term | Lower energy costs                                                                                                                       | High             | Install solar panels and other renewable energy                            |
|                      | Market              | Customer Preference Shifts                                                   | Short-Long Term  | Growing demand for animal-free, lightweight and durable materials<br>Sales of low-carbon products using bio-based and recycled materials | High             | Improve weight and durability<br>Shift to bio-based and recycled materials |
|                      |                     | Investor Sentiment                                                           | Short-Long Term  | Higher equity from ESG index inclusion and stronger investor confidence in climate risk management                                       | Medium           | Communicate decarbonization efforts                                        |
| Physical             | Acute               | More Severe Extreme Weather (Typhoons, Heavy Rain, Landslides, Storm Surges) | Short-Long Term  | Stronger BCP for physical risks                                                                                                          | Medium           | Prepare emergency manuals<br>Diversify production sites                    |
|                      | Chronic             | Rising Average Temperatures                                                  | Short-Long Term  | Higher demand for breathable products as temperatures rise<br>Higher demand for durable products that withstand hotter vehicle interiors | Medium           | Improve weight and durability                                              |

\*1 [Time Horizon] Short: <3 years; Medium: 3–10 years; Long: >10 years

\*2 [Financial Impact] High: ≥10% of sales profit; Medium: 1–10%; Low: <1%. Partly updated using quantitative analysis and FY2025 securities report results.

## <Transition Risks and Opportunities>

Among the transition risks and opportunities identified by our Group, carbon tax is expected to represent the largest risk under the 2° C scenario in 2050, while higher raw material costs are expected to represent the largest risk under the 4° C scenario in 2050, with estimated financial impacts of approximately ¥500 million and ¥700 million, respectively.

- Carbon pricing (carbon tax): As government measures to curb CO<sub>2</sub> emissions are strengthened and the carbon tax rate rises, the financial impact on our Group is expected to increase. Under the 2° C scenario, annual costs are projected to reach approximately ¥500 million by 2050.
- Advancement of low-carbon technologies: We anticipate increased development costs for low-carbon products, as well as higher capital expenditures and running costs associated with the introduction of low-carbon manufacturing technologies. We will address these issues in collaboration with raw material and equipment manufacturers.
- Changes in raw material costs: We recognize the risk of rising prices for raw materials such as polyester and urethane. Under the 4° C scenario, in which measures to address global warming remain insufficient, we expect prices to rise in line with continued growth in demand for petroleum, and recognize that annual costs could reach approximately ¥700 million by 2050. We will respond by shifting to bio-based and recycled raw materials and reducing CO<sub>2</sub> emissions.
- Changes in customer behavior: Demand is expected to increase for our Group's products, which have characteristics such as being animal-free, lightweight, and long-lasting, and sales opportunities are expected to expand for low-carbon products made with bio-based and recycled materials. At the same

time, sales of our Group's existing products may decline if those products do not meet these evolving customer needs.

- Response: We will continue to monitor policy trends, reduce CO<sub>2</sub> emissions, and promote the use of and transition to bio-based and recycled materials. In addition, by further reducing product weight, improving durability, and accelerating the development of low-carbon products, we will work to mitigate risks and expand opportunities.

#### <Physical Risks and Opportunities>

- With respect to physical risks, our Group expects that damage to its own sites and facilities and disruptions to supply chains caused by extreme weather events, as well as higher raw material and energy costs and declines in facility and labor productivity resulting from chronic climate change, may lead to reduced production capacity and lower profitability. To address these risks, we will thoroughly develop and operate business continuity plans (BCPs) and build a stable procurement system using multiple suppliers. Through these measures, we will enhance our resilience to supply chain disruptions and price increases and work to maintain a stable supply of products.

#### • Future Initiatives

Going forward, we will continue to update our analysis of risks and opportunities in response to changes in social conditions and the progress of our Group's initiatives, while further enhancing our disclosure.

## ■ Risk Management

Our Group recognizes climate-related risks as one of its important risks, and the Sustainability Committee discusses and reviews the identification and assessment of risks and opportunities, as well as response measures and preventive actions.

In identifying climate-related risks and opportunities, we use scenario analysis to identify priority issues. First, based on information published by external organizations such as the IEA and IPCC, we identify potential risks and opportunities by category, including transition risks associated with the shift to a low-carbon society and physical risks that may arise in a world where extreme weather events caused by climate change become more severe. Next, for each identified risk, we assess the potential timing of occurrence and the magnitude of financial impact both qualitatively and quantitatively. We then identify risks and opportunities with high response priority based on the two axes of "timing of occurrence" and "financial impact."

For risks determined to require action, responsible individuals are appointed from the relevant departments, and measures such as the establishment of rules and guidelines, implementation of training,

and preparation and distribution of manuals are taken as necessary. After response measures are implemented, their effectiveness is evaluated and continuous improvement is pursued. In the event of an emergency, our Group has established a system under which information is shared immediately and the department responsible for response is designated so that risks that arise can be addressed promptly.

## ■ Metrics and Targets

Our Group has established the following four KPIs as metrics for managing the identified risks and opportunities and has set targets to monitor the progress of its climate-related initiatives.

### ■ Targets

| KPI                                               | Target                                                                                                                                             |
|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Reduce GHG Emissions                              | Cut Scope 1 and 2 GHG emissions 42% from FY2021 by FY2030.                                                                                         |
| Develop Recycled / Renewable / Bio-Based Products | By FY2030, all general-market catalog products sold by Ultrafabrics Group will contain at least 50 wt% recycled, renewable or bio-based materials. |
| Reduce Water Use                                  | Cut water use intensity 20% from FY2020 by FY2025.                                                                                                 |
| Waste Rate                                        | Keep waste plastic, including production offcuts, at or below 10% of processed volume by FY2030.                                                   |

#### <Reduction of GHG Emissions>

As a response to the risk of increased costs associated with the introduction of carbon taxes and emissions trading systems, our Group has set a target to reduce GHG emissions (Scope 1 and Scope 2) by 42% by fiscal 2030 compared with fiscal 2021. In fiscal 2023, this target was validated under the “SBT for SMEs” framework. For Scope 3 emissions, we will also calculate emissions across the entire supply chain and work to reduce them.

#### <Development of Recycled, Renewable, and Bio-based Products>

To respond to growing market demand for low-carbon products and avoid the risk of declining sales of existing products, our Group set a first-stage target to include at least 50 wt% recycled, renewable, and/or bio-based materials in all general-market catalog products manufactured by Daiichi Kasei Co., Ltd. by fiscal 2025. This target was achieved in fiscal 2023, two years ahead of schedule.

As a second-stage target, our Group aims to include at least 50 wt% recycled, renewable, and/or bio-based materials in all general-market catalog products sold by the Ultrafabrics Group by fiscal 2030. The categories of recycled, renewable, and bio-based materials are separately defined in the [Ultrafabrics Materials Sourcing Standard for Circular Design](#). We also engage in dialogue with customers to support the transition of customer-specified materials to recycled, renewable, and/or bio-based materials where possible.

### <Reduction of Water Use>

To reduce the risk of operational shutdowns caused by water shortages resulting from droughts and other factors, our Group has set a target to reduce water use intensity by 20% by fiscal 2025 compared with fiscal 2020. From the perspectives of climate change and water resource conservation, we will continue to promote the efficient use of water.

### <Waste Rate>

Our Group had previously set a target of maintaining the ratio of nonconforming products for sale and returned products to the quantity of finished products at 3% or less. However, as this ratio was reduced to the 1% range in fiscal 2023–2024, we decided to set a more ambitious target from fiscal 2025 onward. The new metric is the ratio of waste plastics, including offcuts generated in the manufacturing process, to processed quantity, and our Group aims to reduce this ratio to 10% or less by fiscal 2030. We are also considering excluding waste plastics from the numerator when it can be confirmed that they have been recycled. From the perspective of resource circulation, we will improve the efficiency of use of raw materials and other materials.

### ■ Scope 1 & 2 Emissions (Actual)

| Emissions by Scope       | FY2023               | FY2024               | FY2025               |
|--------------------------|----------------------|----------------------|----------------------|
|                          | [t-CO <sub>2</sub> ] | [t-CO <sub>2</sub> ] | [t-CO <sub>2</sub> ] |
| Scope 1                  | 11,755               | 9,180                | 10,146               |
| Scope 2 - Market-Based   | 2,613                | 2,809                | 3,039                |
| Scope 2 - Location-Based | 2,935                | 2,635                | 2,850                |
| Scope 3                  | 38,910               | 38,870               | 35,424               |
| Total - Market-Based     | 53,279               | 50,859               | 48,608               |
| Total - Location-Based   | 53,600               | 50,685               | 48,419               |

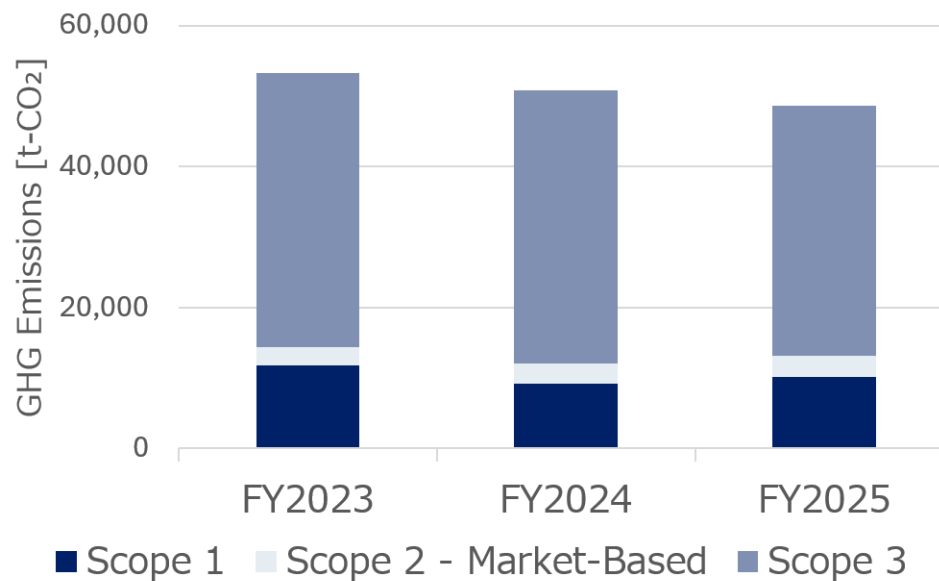
Market-based: Uses emission factors based on electricity purchase contracts.

Location-based: Uses grid-average emission factors for purchased electricity and other secondary energy.

■ Scope 3 Emissions (Actual)

| Scope 3 Breakdown                                    | FY2023                         |           | FY2024                         |           | FY2025                         |           |
|------------------------------------------------------|--------------------------------|-----------|--------------------------------|-----------|--------------------------------|-----------|
|                                                      | Emissions [t-CO <sub>2</sub> ] | Share [%] | Emissions [t-CO <sub>2</sub> ] | Share [%] | Emissions [t-CO <sub>2</sub> ] | Share [%] |
| Category 1: Purchased Goods & Services               | 22,556                         | 58%       | 21,373                         | 55%       | 22,922                         | 64%       |
| Category 2: Capital Goods                            | 6,471                          | 17%       | 9,196                          | 24%       | 4,429                          | 13%       |
| Category 3: Fuel- & Energy-Related Activities Not in | 3,616                          | 9%        | 3,128                          | 8%        | 3,458                          | 10%       |
| Category 4: Upstream Transportation &                | 4,113                          | 11%       | 2,501                          | 6%        | 2,173                          | 6%        |
| Category 5: Waste Generated in Operations            | 1,225                          | 3%        | 1,068                          | 3%        | 1,033                          | 3%        |
| Category 6: Business Travel                          | 43                             | 0%        | 42                             | 0%        | 43                             | 0%        |
| Category 7: Employee Commuting                       | 111                            | 0%        | 112                            | 0%        | 117                            | 0%        |
| Category 9: Downstream Transportation &              | 776                            | 2%        | 1,449                          | 4%        | 1,248                          | 3%        |
| Total                                                | 38,910                         | 100%      | 38,870                         | 100%      | 35,424                         | 100%      |

## GHG Emissions Trend



■Water Use (Actual)

| Item                                 | FY2023 | FY2024 | FY2025 |
|--------------------------------------|--------|--------|--------|
| Water Use [t/yard]<br><FY2020=100.0> | 86.5   | 88.3   | 106.8  |

■Waste Rate (Actual)

| Item           | FY2023 | FY2024 | FY2025 |
|----------------|--------|--------|--------|
| Waste Rate [%] | 14.9%  | 11.8%  | 12.4%  |