

Updated as of 1 April 2025

Ultrafabrics Holdings Co., Ltd.

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Securities code: 4235

The following is a description of the corporate governance framework for Ultrafabrics Holdings Co., Ltd.

I. Basic stance on corporate governance, share ownership, corporate information and other basic information

1. Basic stance

In addition to ensuring legal and regulatory compliance, the corporate governance goals at Ultrafabrics Holdings are to fulfill its responsibilities to all stakeholders, including shareholders, end consumers and other trading counterparties, employees, and local communities, as well as improve corporate value, and enhance shareholder returns. To this end, it will work to ensure a thorough awareness of the importance of compliance among all directors and employees and facilitate the taking of decisions and actions that are based on good judgement. It also views corporate governance as a crucial aspect of management for the purposes of enhancing the transparency and fairness of company management and enabling appropriate and timely decision-making and corporate action.

Reasons for not implementing the principles of the Corporate Governance Code

Ultrafabrics Holdings does not comply with Supplementary Principle 2.4.1 and Supplementary Principle 4.11.3. The reason is as follows..

Supplementary Principle 2.4.1 Ensuring Diversity in the Promotion to Core Human Resources

Ultrafabrics Holdings has **only 12 employees**, and it is difficult to control the ratio of female managers, etc. The average length of service of employees is **4years 0 month**, which means most employees are mid-career hired.

While some positions in the manufacturing company in Japan are not allowed to women, because of the exposure to the chemicals, the managers in the sales company in USA is diversified. The principle is sufficiently complied in a consolidated basis.

Please see also "Disclosure specified by the principles of the Corporate Governance Code".

Disclosures specified by the principles of the Corporate Governance Code

Principle 1.4 Cross-shareholdings

- Ultrafabrics Holdings does not have any cross-shareholdings.

Principle 1.7 Related Party Transactions

• At the commencement of any related party transactions, a report is submitted to the Board of Directors' Secretariat. The Secretariat conducts regular reviews, and reports on its findings to the Board of Directors.

Supplementary Principle 2.4.1 Ensuring Diversity in the Promotion to Core Human Resources

As above mentioned, Ultrafabrics Holdings does not set measurable goals in the promotion to core human resources, such as the promotion of women, foreign nationals and midcareer hires. However, the diversity has been realized substantially in the consolidated basis as a global company group.

Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

- Ultrafabrics Holdings does not participate in a corporate pension scheme.

Principle 3.1 Full Disclosure

(i) The Group Mission Statement and Medium-term Management Plan are disclosed on the following pages of the company website.

- Group Mission Statement

<https://www.ultrafabricshd.co.jp/en/company/philosophy/>

- Medium-term Management Plan

<https://www.ultrafabricshd.co.jp/en/ir/management/plan/>

(ii) The basic view on corporate governance is disclosed on the following page of the company website.

<https://www.ultrafabricshd.co.jp/en/sustainability/governance/corporate-governance/>

(iii) Ultrafabrics Holdings has established the Company's Compensation Advisory Committee comprising outside directors to provide an advisory function to the Board of Directors and ensure officer remuneration is set in a transparent and fair way. The President sets remuneration for each director, with the approval of the Company's Compensation Advisory Committee.

(iv) The appointment and dismissal of senior management other than directors takes sufficient account of the capacities and experience of the candidates. Candidates for company directorships are chosen based on their suitability to represent the Holding company or its subsidiaries, in order to maximize intragroup communication and managerial synergies, and with the approval of the Audit & Supervisory Committee in accordance with Companies Act. Candidates for outside directorships are appointed based on capacities and experience of the candidates from the perspective of supervising and advising company management.

(v) The reasons for the appointments and nominations of individual directors are disclosed in reference materials accompanying notification of the convention of shareholders' meetings.

Supplementary Principle 3.1.3 Sustainability initiatives, and investment in human capital and intellectual property

• One of the elements of the Ultrafabrics Holdings Mission Statement is to "Prioritize sustainability while contributing to society". The group stance on sustainability is expressed by the 5 P's, under which the steps towards achieving sustainability are disclosed. For details, please refer to the following link.

<https://www.ultrafabricshd.co.jp/en/sustainability/ufg-sustainability/management-philosophy/>

<https://www.ultrafabricshd.co.jp/en/sustainability/ufg-sustainability/materiality/>

The development and sale of sustainable products is also of the pillars of the Medium-term Management Plan. For details, please refer to the following link.

<https://www.ultrafabricshd.co.jp/en/sustainability/ufg-sustainability/management-strategy/>

Regarding intellectual property, Ultrafabrics Holdings globally registers and managements trademarks in order to enhance brand strength.

Supplementary Principle 4.1.1 Roles and Responsibilities of the Board of Directors (Scope of Matters Delegated to Management)

The Board of Directors decides management policy and matters that are crucial to the execution of operations. The matters to be discussed and decided by the Board are detailed in the Board of Directors Regulations, an internal guideline, but even matters not specified within the Regulations are to be discussed by the Board if appropriate based on their materiality. The Board of Directors can only delegate responsibility below the directorial level for matters specified in the Regulations on Managerial Authority.

Principle 4.9 Independence Standards and Qualification for Independent Directors

• Ultrafabrics Holdings has not established its own independence criteria, but appoints independent outside directors following sufficient verification of their relationship with Ultrafabrics Holdings based on the independence criteria defined by the Tokyo Stock Exchange.

Supplementary Principle 4.11.1 Skills of the Board of Directors as a Whole, and Policy and Procedures for Appointment of Directors

- The Board of Directors comprises the President, who has overall jurisdiction for company management, and top-level managers of the manufacturing and sales subsidiaries, who possess specialist technological and marketing, as well as independent outside directors with diverse backgrounds, some of whom have experience managing other companies. The skills matrix is disclosed in reference materials appended to convocation notices for General Meetings of Shareholders.

Supplementary Principle 4.11.2 Directors with Multiple Directorships

- The Board of Directors conducts a review, the findings of which are disclosed in the business report.

Supplementary Principle 4.11.3 Evaluation of the Effectiveness of the Board of Directors

- In the self-evaluation in December 2023, the results of the evaluation found that the Board of Directors is functioning broadly effectively.

Supplementary Principle 4.14.2 Training Policy for Directors

- Ultrafabrics Holdings held an internal seminar for directors regarding corporate governance and so on, in 2021. Since then, no training in the form of seminars has been conducted, but the Board of Directors has, from time to time, reviewed the responsibilities of directors and other issues. Ultrafabrics Holdings will continue to provide training to newly appointed directors appropriately and take measures such as covering the cost of attending outside seminars.

Principle 5.1 Policy for Constructive Dialogue with Shareholders

- Ultrafabrics Holdings has appointed the manager of the Corporate Planning Department as IR representative, and company policy is to respond positively to requests for dialogue from investors, including via the use of online meetings and other tools. The company is also working to promote dialogue with shareholders through opportunities such as investor results briefings, online individual shareholder briefings, and other events.

[Actions to implement the management conscious of cost of capital and stock price]

Ultrafabrics Holdings considers ROE as an important indicator of management and continuously monitor it with a target of approximately 15%, and discloses the results below:

<https://www.ultrafabricshd.co.jp/en/ir/finance/benchmark/>

The result of FY 2022 was 16.7%, that of FY 2023 was 16.7%. The target was achieved. But the result of 2024 was below the target: 10.0%.

Measures to achieve the management aware of cost of capital and share price are described below.

https://ssl4.eir-parts.net/doc/4235/ir_material_for_fiscal_ym5/173581/00.pdf

In the medium-term management plan, ROE will fall below the target (12.3%) in FY 2027, due to the factors such as the inauguration of new plant etc, but we try to achieve an early return to 15% ROE by improving the Net Profit Margin and shareholders return. .

[Status of Dialogue with Shareholders, etc]

In accordance with the policy described in 5-1 above, we held the briefings of financial result for institutional investors and individual investors, and the Director and General Manager of the Corporate Planning Department responded to the inquiries from investors as much as possible. Consequently, the constructive dialogue is conducted.

2. Share ownership

Share ownership by foreign nationals	At least 10% but less than 20%
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Major shareholders

	No. shares owned	Percentage owned
Tokyo Small and Medium Business Investment & Consultation Co., Ltd	2,204,000	13.98
Daisuke Gomi	830,000	5.26
Hideharu Ueshime	651,900	4.13 5.26
Barbara Danielle Boecker-Primack	599,400	3.80
Clay Andrew Rosenberg	599,200	3.80
Mizuho Bank, Ltd.	550,000	3.49
Resona Bank, Limited	550,000	3.49
Kiraboshi Bank, Ltd.	550,000	3.49
Dainichiseika Color & Chemicals Mfg Co., Ltd.	548,280	3.47
Shiraishi Calcium Kaisha, Ltd.	480,000	3.04

Controlling shareholders other than parent company	— — —
Existence of parent company	None

Additional information

- Based on Shareholder Registry as of the end of December 2024.
- Percentages are proportion of voting rights held, and calculated excluding 1,198,007 of treasury shares.
- In addition to the above, the following presents ownership of Class A Preferred Shares, which carry no voting rights

Clay Andrew Rosenberg	770,500 shares
Barbara Danielle-Boecker Primack	312,500 shares

3. Corporate information

Listed exchange and market segment	Tokyo Stock Exchange, Standard Market
Fiscal year end	December
Sector	Chemicals
Number of employees at end of most recent fiscal year (consolidated)	Between 100 and 499
Consolidated revenues in most recent fiscal year	At least ¥10bn but less than ¥100bn
Number of consolidated subsidiaries at end of most recent fiscal year	Less than 10

4. Policy on measures to protect minority shareholders in the event of transactions with controlling shareholders

5. Other special circumstances that could have a material impact on corporate governance

II. Management organization and other corporate governance systems related to strategic decision making, execution, and oversight

1. Matters related to organizational structure, organizational management

Organizational structure	Company with audit & supervisory committee
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Company directors

Number of directors permitted in company articles	12
Term of directorship in company articles	1 year
Chairman of the Board of Directors	Company President
Number of directors	9
Appointment of outside directors	Outside directors have been appointed
Number of outside directors	3
Number of outside directors that have been designated independent	3

Relationship with company (1)

Name	Attributes	Relationship with company *										
		a	b	c	d	e	f	g	h	i	j	k
Nobuyuki Itami	Other											
Akira Yokoo	Other											
Hideki Isetani	Other											

* Types of relationship with company

* Hollow circle indicates a direct current or recent relationship with the person in question; hollow triangle denotes such relationship existed in the past

* Solid circle indicates a current or recent relationship with a close relative; solid triangle denotes such relationship existed in the past

- a Executive director of a listed company or its subsidiaries
b Executive or non-executive director of the parent company of a listed company
c Executive officer of the sister company of a listed company
d Entity (or executive director of an entity) for which a listed company is a major trading counterparty
e Major counterparty to transactions with listed company, or executive officer of such a counterparty
f Consultant, accounting professional, or legal professional who receives sizeable monetary or other asset-based remuneration (other than officers' remuneration) from a listed company
g Major shareholder of a listed company (or, if the major shareholder is a corporation, an executive officer of the corporation)
h Executive officer (not including close relative) of a trading counterparty to a listed company, to which categories d, e, and f do not apply.
i Executive officer of a company with a relationship of mutual appointment regarding external officers (not including close relative)
j Executive officer of an entity that receives donations from a listed company (not including close relative)
k Other

Relationship with company (2)

Name	Member of Audit & Supervisory Committee	Independent Officer	Additional comments related to eligibility	Reason for appointment
Nobuyuki Itami	○	○	Designated independent officer	Possesses broad knowledge and a wealth of experience from many years in top-level management. None of the independence or additional disclosure requirements apply. In addition, has no particular interest in the company, so is deemed highly independent, with no risk of a conflict of interest with shareholders. Therefore, has been designated an independent officer.
Akira Yokoo	○	○	Designated independent officer	Possesses broad financial knowledge and a wealth of experience from many years in top-level management. None of the independence or additional disclosure requirements apply. In addition, has no particular interest in the company, so is deemed highly independent, with no risk of a conflict of interest with shareholders. Therefore, has been designated an independent officer.
Hideki Isetani	○	○	Designated independent officer	Possesses a wealth of management experience in the automotive industry, including in engineering, production control, and overseas positions. None of the independence or additional disclosure requirements apply. In addition, has no particular interest in the company, so is deemed highly independent, with no risk of a conflict of interest with shareholders. Therefore, has been designated an independent officer.

Audit & Supervisory Committee

Committee composition, attributes of committee leader

	Members	Full-time members	Company directors	Outside directors	Leader (Chairman)
Audit & Supervisory Committee	3	0	0	3	Outside director

Presence of directors or employees to aid the duties of the Audit & Supervisory Committee

Such persons exist

Matters related to the independence of the relevant directors or employees from the executive directors

The Audit & Supervisory Committee comprises three independent outside directors, who occupy an objective standpoint that is independent from the executive directors. Meanwhile, in order to prevent a deterioration in the Committee's understanding of the execution of business and in its communication with Ultrafabrics Holdings, the Legal & Compliance Department provides support to the Committee to aid in its duties. The Legal & Compliance Department performs the business execution, but acts as audit assistant under the direction of Audit and Supervisory Committee.

The Audit & Supervisory Committee receives from the Accounting Auditor that carries out the accounting audit a report including a summary of the audit plan, material audit items, and the results of the audit, as well as an evaluation of internal control systems and related risks, based on an understanding of the company's internal control systems. The Committee also aims to cooperate with the auditor, including through the exchange of opinion on the auditor's findings. The Committee is also present during the auditor's on-site audit and audit review, and can provide help during the audit process by requesting reports as necessary. In addition, the Committee asks the Accounting Auditor to provide its opinion on material accounting issues, and considers how best to respond.

The internal audit is conducted by the Internal Audit department, but the plan for the fiscal year is drawn up taking into account discussions with the Audit & Supervisory Committee and the Accounting Auditor. In addition to auditing, evaluating, and making suggestions related to legal and regulatory compliance and internal control systems, the Internal Audit department also conducts an audit of internal control systems related to product quality, environmental impact, and information security.

The Audit & Supervisory Committee can, when deemed necessary, request that the Internal Audit department carry out audit procedures.

Optional committees

Existence of optional committees equivalent to Appointments Committee and Remunerations Committee

Such committees exist

Nature, composition, and leadership of optional committees

	Committee Name	Members	Full-time members	Company directors	Outside directors	Outside experts	Other	Chairman
Optional committee equivalent to Appointments Committee	—	—	—	—	—	—	—	—
Optional committee equivalent to Compensation Advisory Committee	Compensation Advisory Committee	3	0	0	3	0	0	Outside director

Additional information

The Compensation Advisory Committee is composed of outside directors, which ensures the Committee is able to make objective and appropriate decisions.

Independent directors

Number of independent directors

3

Other matters related to independent directors

Ultrafabrics Holdings has not established its own independence criteria and policy for selecting outside directors, but it does take account of the Tokyo Stock Exchange's independence criteria when appointing outside directors.

The three outside directors are able to present their opinion by attending meetings of the Board of Directors, and supervise the execution of directors' duties from a neutral and objective standpoint.

Nobuyuki Itami and Akira Yokoo, both outside directors, provide appropriate counsel and advice through the Board of Directors and the Audit & Supervisory Committee based on their professional and external perspectives, thereby contributing to the appropriateness of strategic decisions.

Hideki Isetani, also an outside director, has a wealth of experience in management positions in the automotive industry, including engineering, production control, and overseas divisions. This experience enables Mr. Isetani to provide counsel and advice related to overall company management and support the appropriateness of company decision making.

The Audit & Supervisory Committee members, who are all outside directors, communicate with Ultrafabrics Holdings staff responsible for supporting the Audit & Supervisory Committee, thereby ensuring their supervisory duties are based on sufficient discussion within the Committee. The Committee members conduct their own supervisory activities, and also attend meetings of the Board of Directors and other meetings that are vital to the group, thereby fulfilling their duty of management oversight.

The members of the Audit & Supervisory Committee meet with the Accounting Department and Accounting Auditor where appropriate, to exchange opinions and information related to internal controls and financial information. There are no personal relationships or major conflicts of interest between the company and the outside directors appointed. Ultrafabrics Holdings has informed the Tokyo Stock Exchange that outside director Nobuyuki Itami, Akira Yokoo, and Hideki Isetani are independent directors that do not present a risk of conflict of interest with the company's general shareholders.

Incentives

Incentives for directors, and implementation status

Implementation of performance-related pay, stock options, others

Additional information

- Monetary bonuses are calculated based on the level of attainment towards previously established targets
- Stock-based compensation includes restricted stocks and restricted stock units, and stock options (free of charge)

Eligibility for stock options

Company directors, employees, directors of subsidiaries

Additional information

- Eighth Stock Option program covers 465,000* shares for six directors, eight employees, and eight officers of subsidiaries
*930,000 shares due to a share split on April 1, 2023.
- Ninth Stock Option program covers 461,000 shares for six directors, ten employees, and fifteen officers of subsidiaries

Directors' compensation

Disclosure of individual directors' compensation

Compensation for individual directors is not disclosed

Additional information

Policy for setting value of compensation and calculation method

Such policy exists

Disclosure of policy for setting value of compensation and calculation method

Ultrafabrics Holdings has set the calculation method for directors' compensation as follows.

1. Compensation system

The compensation system for the company directors comprises a basic (fixed) element and an incentive element. The incentive is composed of bonus(monetary) and stock-based (non-monetary) compensation.

2. Policy on monetary compensation

The total value of the basic (fixed) pay and the value of the bonus, assuming 100% target attainment, is set with reference to trends at benchmark companies.

3. Policy on basic pay

The basic (fixed) pay is fixed depending on role, and paid to ensure the faithful performance of duties appropriate to the responsibilities of the role.

4. Policy on performance-related pay

The "base value" of the bonus is the balance of the monetary remuneration amount based on item 2. above less the value of the basic (fixed) pay in item 3.

i) 90% of the base value will be adjusted by a modifier ranging from 0x to 2x based on the level of attainment of previously established targets for prior-year total revenue, EBITDA, and other financial indicators.

ii) 10% of the base value will be adjusted by a modifier of between -20% and 20%, based on the attainment of non-financial targets such as sustainability goals and new product development.

The bonus will therefore range from 8% of the base value ($90\% \times 0 + 10\% - 2\%$) to 192% of the base value ($90\% \times 2 + 10\% + 2\%$), depending on target attainment.

5. Policy on non-monetary compensation

The following two types of stock-based payments are made.

i) Restricted stock (stock awarded with restrictions on transfer) and restricted stock units (a promise of future stock) as a means of incentivizing action to raise corporate value in the future, by reflecting corporate value in the share price. A certain number of these programs are granted to company directors. However, a ceiling is place on new issues at 5% of EBITDA, given that issue costs rise in tandem with the share price.

ii) In place of a retirement benefit program, and also to act as a long-term incentive, a certain number of stock options are awarded to directors, in general once every three years.

6. Policy on the relative proportions of compensation types

The proportions for different types of compensation are set based on the above calculation methodology, so no separate policy has been established.

7. Policy on the timing and conditions attached to compensation

The basic (fixed) pay is paid pro rata on a monthly basis. The bonus is, as a general rule, paid in April after the prior-year results are confirmed and evaluated.

The timing of the stock-based compensation is as follows: The restricted stock and restricted stock units are issued around May every year; the issue timing for the stock options is decided based on share price trends during the relevant fiscal year (once every three years).

8. The delegation of decisions related to compensation

The Board of Directors has delegated authority to the president to decide compensation based on the advice of the Compensation Advisory Committee. The Compensation Advisory Committee submits a report (the terms of which are set at the Annual General Meeting of Shareholders) on the appropriateness of the value of each type of compensation and the evaluation of relevant criteria, and the President sets individual compensation based on the Committee's opinion.

When a director also serves as director for a subsidiary, and receives payment from the same, the amount of compensation to be paid by the subsidiary is set based on a similar framework to the above. The Compensation Advisory Committee states its opinion on the total amount of compensation paid by both Ultrafabrics Holdings and its subsidiaries, and the subsidiary makes a decision based on the Committee's opinion.

Support systems for outside directors

Materials for meetings of the Board of Directors (proposals and earnings materials) are distributed prior to the meeting, to ensure sufficient time for consideration. Outside directors are also invited to attend crucial meetings and given other opportunities for information sharing.

The Legal & Compliance Department is in charge of staff for the Audit and Supervisory Committee to ensure adequate communication with the Company and effective audit.

~~Persons who have resigned from the position of Representative Director & President~~

Name and other details of advisors who formerly served as Representative Director & President					
Name	Position	Nature of duty	Nature of work, conditions, whether full-time or not, full-time, compensation	Date of resignation	Term of service
-	-	-	-	-	-

Total number of advisors who formerly served as Representative Director & President	0
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Other matters

~~Former Representative Director & President Kiyofumi Nakano resigned as Director and President at the Ordinary General Meeting of Shareholders held on 25 March 2022, since which date he has served as a Senior Advisor, providing advice to current management. His contract was renewed on 25 March 2024.~~

2. Matters related to the execution of business, audit and supervision, appointments, and the setting of compensation (overview of the current Corporate Governance system)

Ultrafabrics Holdings is a Company with an Audit & Supervisory Committee, in which capacity it has built a management framework that provides appropriate oversight and supervision, and works to maximize the effectiveness of that framework so as to enhance the corporate governance function. The administration, functions, and implementation of each organ and division are as follows.

The Board of Directors comprises nine directors (three are outside directors that serve on the Audit & Supervisory Committee). It meets once a month as standard and on other occasions as required, to deliberate and decided on important matters and provide various reports as appropriate. Over the year from January 2024 through December, the Board met 16 times, made decisions on strategically critical projects and deliberated crucial matters from a management perspective.

Ultrafabrics Holdings is a Company with an Audit & Supervisory Committee. The Audit & Supervisory Committee comprises three members, all of whom meet the independence criteria set by the Tokyo Stock Exchange and have been designated independent directors. The three directors who are members of the Audit & Supervisory Committee attend meetings of the Board of Directors where they exercise voting rights as well as monitoring the legality and appropriateness of board decisions and providing oversight from the perspective of shareholders.

The Internal Audit department conducts internal audits in cooperation with the Audit & Oversight Committee, and submits regular reports thereon.

Ultrafabrics Holdings also has a Compensation Advisory Committee to act in an advisory capacity to the Board of Directors regarding directors' compensation. Compensation for individual directors (excluding those directors who are members of the Audit & Supervisory Committee) is set based on the recommendations of the Committee. The Compensation Advisory Committee comprises three outside directors and one Senior Advisor, and is chaired by an outside director. Ultrafabrics Holdings has a contract in place with Ernst & Young ShinNihon LLC regarding audits based on Companies Act and the Financial Instruments & Exchange Act. The Certified Public Accountants who carry out the audit work are as follows.

- Name of CPA conducting audit work: Kenji Fujita, Rikio Watanabe, Designated Engagement Partners, Ernst & Young ShinNihon LLC
- Support staff involved in audit work
13 CPAs and 23 others, Ernst & Young ShinNihon LLC

There are no particular mutual interests between Ultrafabrics Holdings and the Accounting Auditor

Compensation paid to Ernst & Young ShinNihon LLC for the audit and assurance work performed based on the audit contract is ¥137mn.

3. Reasons for adoption of the current Corporate Governance framework

The Board of Directors comprises six executive directors and three directors who are also members of the Audit & Supervisory Committee, totaling nine members. Ultrafabrics Holdings appoints outside directors to serve on the Audit & Supervisory Committee in order to ensure the effectiveness of the supervisory function. At the same time, as the Audit & Supervisory Committee is comprised solely of outside directors, in order to prevent the undermining of the oversight function, the Legal & Compliance Department provides support to the Audit & Supervisory Committee.

Moreover, a Compensation Advisory Committee, comprised of outside directors, exists to serve as an advisory body to the Board of Directors to enable the consideration of directors' remuneration from an objective and neutral standpoint.

III. Implementation of measures related to shareholders and other stakeholders

1. Measures to promote active General Shareholder Meetings and facilitate the exercise of voting rights

	Additional information
Exercise of voting rights through electronic means	From 2021, Ultrafabrics Holdings has allowed the exercise of voting rights over the internet using a Smart Voting service provided by a trust bank.
Notice of convocation (summary) issued in English	Reference materials for General Shareholders Meetings posted on company website.

2. IR activity

	Additional information	Explanation given by company representative
Holds regular briefings for individual investors	An online briefing was held for individual investors on 1 June 2024.	No
Holds regular briefings for analysts and institutional investors	Ultrafabrics Holdings holds results briefings for institutional investors twice yearly, following release of 2Q and full-year results. Briefings for fiscal 2024 were held on 21 August 2024 and 19 February 2025.	Yes
IR material posted on website	Annual Reports, earnings reports, business report, press releases, medium-term management plans, results briefing video and materials	
Establishment of division/person responsible for IR	The Corporate Planning Department is responsible for IR	

3. Measures to respect the position of stakeholders

	Additional information
Internal guidelines related to respecting the position of company stakeholders	Ultrafabrics Group has identified “five P’s” (People, Products, Planet, Partners, Profit) as the areas in which it creates value through business activities, and by providing such value aims to gain the trust of all stakeholders (including clients, partners, shareholders, employees, local communities). This approach is published on the company website and included in internal communication to ensure it is widely recognized throughout the company.
Environmental protection and CSR activity	The synthetic leather products manufactured by Ultrafabrics Group are lighter and more durable than authentic leather. This means a longer product life and lower waste, as well as a reduction in CO2 emissions from aircraft and automobiles due to lighter materials. In this way, the business of Ultrafabrics Group itself contributes to sustainability of society as a whole. In addition, Ultrafabrics Group is working to lower CO2 emissions, preserve water resources, and reduce waste while carrying out its business activity, and it thereby contributes to the preservation of the earth and natural environment. These initiatives are listed on the sustainability pages of the website.

IV. Internal control systems

1. Basic stance on internal control systems and implementation

The Board of Directors of Ultrafabrics Holdings has set the following basic stance on internal controls, and has established related guidelines (last updated on 25 March 2022).

(1) Systems for the storage and management of information related to the execution of directors’ duties

Documentary and other information related to the execution of directors’ duties are stored and management appropriately in accordance with internal guidelines.

(2) Guidelines and other systems for managing the risk of loss

Where necessary, the relevant departments prepare guidelines and regulations covering the various risks related to compliance, natural disasters, the environment, quality, information security, and other areas, carry out personnel training, and prepare and distribute manuals and other literature. In the case of newly emerged risks, the company quickly designates a director to take responsibility for formulating a response.

(3) Systems to ensure the efficient execution of directors’ duties

- The efficient execution of directors’ duties is supported by company guidelines, including a delineation of duties and authority, and personnel management systems.

- In order to improve the efficiency with which duties are carried out and implement thorough control over margins, annual budgets are set and earnings monitored at the companywide and the departmental level.

(4) System for ensuring directors and employees carry out duties in compliance with laws and regulations and the company articles.

- A Code of Conduct has been drawn up in compliance with legal and regulatory requirements and the company articles of incorporation. The President has established compliance systems that are effective across the company and works to obtain an understanding of compliance-related issues.
- Any interaction with anti-social forces is viewed as a legal violation, and Ultrafabrics Holdings is resolutely opposed to entering any dealings with such entities. It has systems in place that will not permit transactions or any form of interaction with anti-social forces.

(5) Systems to ensure business is conducted appropriately within the group, consisting of Ultrafabrics Holdings and subsidiaries

- The company's Code of Conduct is shared with group entities. The group also sets policy to ensure compliance systems and other internal controls are functioning effectively in all group companies.
- Ultrafabrics Holdings endeavors to build compliance systems that are deployed across group entities, and to identify compliance issues.
- The President holds regular information-sharing meetings with top-level group management.
- By holding regular meetings with subsidiaries to report on the state of management and the financial position, Ultrafabrics Holdings obtains an accurate understanding of the financial and business position at subsidiaries and thereby ensures they are being appropriately managed.
- Ultrafabrics Holdings applies across the group the risk control systems outlined under (2) Guidelines and other systems for the control of critical losses, resulting in integrated groupwide management of risks.
- Ultrafabrics Holdings clarifies the responsibilities and authorities of those who carry out the duties of the subsidiaries based on guidelines for the subsidiary Board of Directors, guidelines for job authorization, and other rules related to subsidiary decision making, and provides guidance where necessary to ensure subsidiary business is conducted efficiently and with due appreciation of the broader organization.
- The internal audit department conducts audits of Ultrafabrics Holdings and group companies based on Subsidiary Management Guidelines, and reports its findings to the Ultrafabrics Holdings President and the Audit & Supervisory Committee. In this way, the company prevents breaches of laws & regulations and company articles by its subsidiaries, while also facilitating the formulation of timely and appropriate responses to issues discovered.

(6) Systems to ensure the reliability and accuracy of financial reporting

Ultrafabrics Holdings and its subsidiaries build systems for the preparation and operation of effective and appropriate internal controls based on the Financial Instruments & Exchange Act and other relevant laws & regulations aimed at ensuring the reliability and accuracy of financial reporting. They also continually evaluate whether these systems are functioning correctly, and take corrective action where necessary.

(7) Systems related to directors or staff deployed to support the Audit & Supervisory Committee in conducting its duties

- If the Audit & Supervisory Committee requests the deployment of directors or employees to help it in the performance of its duties, Ultrafabrics Holdings will allocate the necessary staff.
- The Audit & Supervisory Committee can order Committee support staff to carry out duties necessary to its audit work.

(8) Matters related to the independence of the directors and staff who are members of the Committee from the company directors (excluding those who are members of the Committee), and matters to ensure the effectiveness of the instructions given by the Committee Members to the support directors and staff

- The employees who are given the task of supporting the duties of the Audit & Supervisory Committee will, when given instructions related to those duties by the Audit & Supervisory Committee, follow those instructions in full.

(9) System for reporting by employees and directors (excluding directors who are members of the Audit & Supervisory Committee) of the company and group to the Audit & Supervisory Committee, and systems for other reporting to the Committee.

- Audit & Supervisory Committee members and support staff attend meetings of the Board of Directors and other internal meetings, and obtain ad-hoc reports on important strategic information. Key meeting minutes and approval forms are circulated to the Audit & Supervisory Committee as they arise.
- The Audit & Supervisory Committee can, if deemed necessary, at any time request a report regarding the directors (excluding those who are members of the Audit & Supervisory Committee) and employees of Ultrafabrics Holdings, and the directors and employees of its subsidiaries.
- Any reports made through the internal reporting (whistleblowing) system are to be reported to the Audit & Supervisory Committee without delay.
- The results of the internal audit conducted by the Internal Audit department are also to be reported to the Audit & Supervisory Committee.
- Ultrafabrics Holdings builds systems to ensure that any person who has made such a report to the Audit & Supervisory Committee is not treated unfairly because of that report.

(10) Systems for ensuring other audit work carried out by the Audit & Supervisory Committee is conducted effectively.

- Systems to ensure the Audit & Supervisory Committee can conduct appropriate and effective audit work while maintaining independence from the President.
- The President holds regular meetings with the Audit & Supervisory Committee and other systems to enable the exchange of information and opinions with the Committee.
- Systems to enable harmonious cooperation between Audit & Supervisory Committee has systems to enable and the accounting auditor.
- The Internal Audit department has regular and ad-hoc communication meetings with the Audit & Supervisory Committee, and the Audit & Supervisory Committee can receive reports regarding the legality and appropriateness of the duties of directors (excluding Audit & Supervisory Committee members) and employees.

(11) Policy on the treatment of costs and liabilities arising during the execution of the duties of the Audit & Supervisory Committee

Ultrafabrics Holdings shall honor without delay any costs or liabilities that arise as a result of the performance of the duties of the Audit & Supervisory Committee (and only those that arise as a result of the performance of those duties), excluding any costs that are found to have been unnecessary for the performance of those duties, if requested to pay those costs upfront or otherwise.

2. Basic stance on the exclusion of anti-social forces, and implementation

Ultrafabrics Holdings recognizes that any relationship with anti-social forces will lead to breaches of the law, and is resolutely opposed to entering any dealings with such entities. Ultrafabrics Holdings has, in its Basic Policy on Internal Controls, clearly stated its basic policy of not entering transactions or having any kind of relationship with anti-social forces. As the department that formulates the company's response to anti-social forces, the Legal & Compliance department has oversight and works to collect information, while also educating directors and employees through internal training programs, in order to prevent all communication with anti-social forces. As part of this goal, Ultrafabrics Holdings is a member of the Special Violence Prevention Measures Association (an external specialist body under the jurisdiction of the Tokyo Metropolitan Police Department), from which it receives instruction on preventative measures, and also works together with the relevant police forces and legal counsel to establish appropriate countermeasures.

V. Others

1. Use of anti-takeover measures

Additional information

2. Other matters related to the Corporate Governance framework

Overview and basic stance on timely disclosures

Ultrafabrics Holdings recognizes that providing timely and appropriate disclosures of company information to investors is a vital responsibility of a listed company. It also aims to provide rapid, accurate, and fair disclosures of company information from its investors' perspective.

Internal systems related to timely disclosures

- Reporting and collection of material information

The Chief Controller of Administration Department is designated as responsible for handling information. Important internal information is reported to these responsible persons. In addition, those responsible for handling information attend all key company meetings, including the Board of Directors, to ensure they are aware of all matters decided and matters reported at those meetings.

- Cooperation with divisions responsible for insider trading

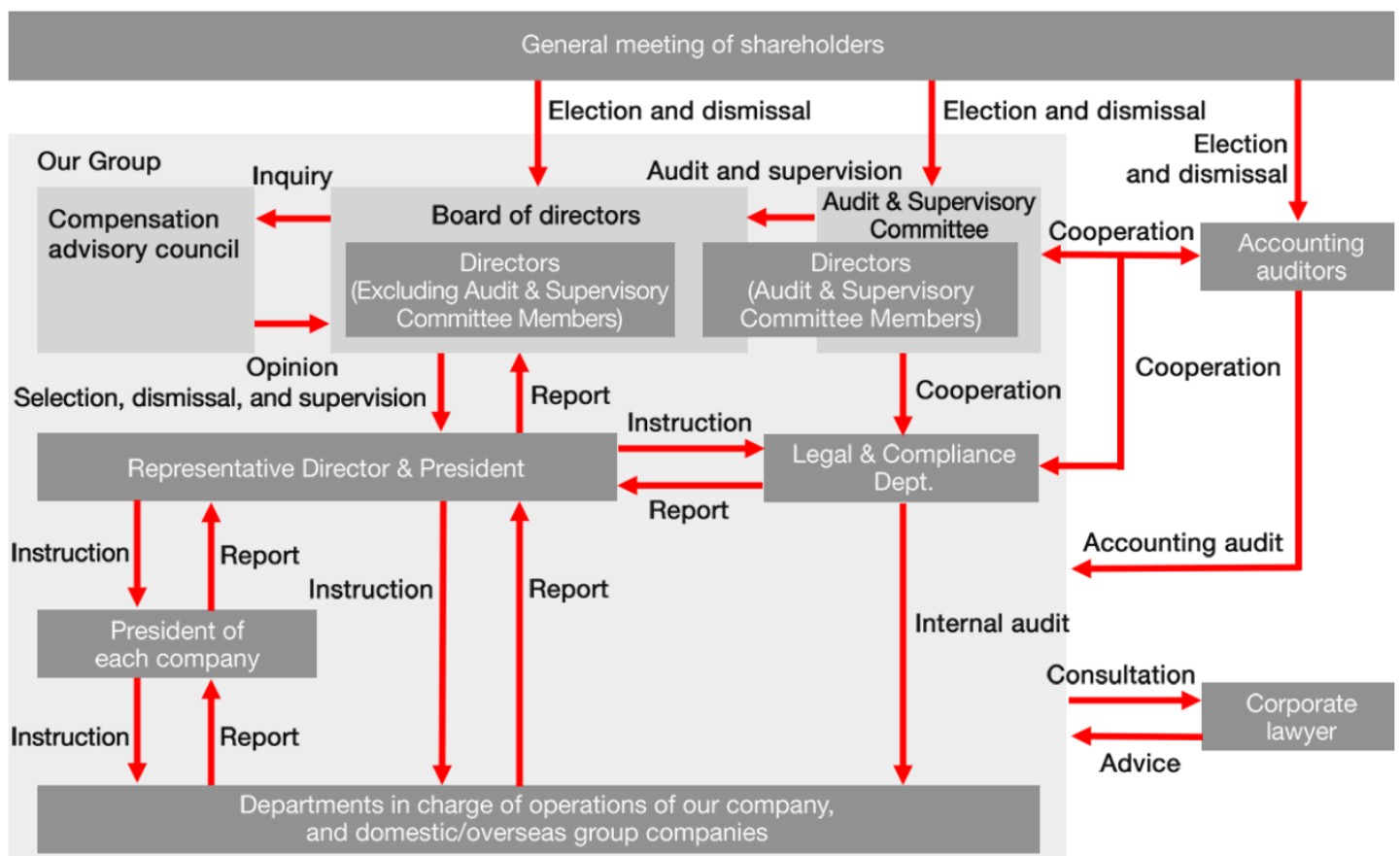
From the perspective of preventing insider trading, the General Manager of the Legal & Compliance Department is designated responsible for managing information, and works closely with those responsible for handling information to ensure nothing is omitted in the understanding and management of crucial information.

- Deciding and implementing timely disclosures

After being made aware of key information, the person responsible for handling information decides whether or not disclosure is needed, and as a general rule will, with the approval of the Board of Directors, the HR & General Affairs department will disclose the information over a Securities Exchange timely disclosure information sharing system. The information will also be posted on the company website.

- Ensuring timeliness

In the event that the Board of Directors passes a resolution on matters that equates to material decision, Ultrafabrics Holdings will ensure it is able to disclose the information rapidly while considering whether disclosure is necessary. If a disclosure of the situation is required, the disclosure shall occur with the approval of the Board of Directors as a general rule, but if urgent shall be carried out based on the decision of a representative director, with subsequent notification to the Board of Directors with a view to post-event ratification.



Timely disclosures framework

