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For immediate release

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Notice of Rolling of Medium-Term Management Plan

Since FY2021, Ultrafabrics Holdings Co., Ltd. has annually announced three-year targets using a rolling method to ensure a timely and flexible response to the previous year's results and changes in the operational environment. Taking into account the results for FY2025 and changes in the management environment announced today, the Company has formulated a new three-year Medium-Term Management Plan starting from FY2026.

During FY2025, the Company carried out various initiatives based on the Medium-Term Management Plan (FY2025–FY2027) announced on February 14, 2025. However, the Company revised its earnings forecast downwardly on August 14 due to rising economic uncertainty surrounding additional tariffs, continuous high interest rates and inflation concerns, and the slowdown and intensifying competition in the EV sector. As announced today in the "Consolidated Financial Results for FY2025," results up to the Operating Profit level were almost in line with the revised forecast.

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. Therefore, the Company has formulated a new Medium-Term Management Plan (FY2026–FY2028).

2026–2028 Medium-Term Management Plan

- Earnings target for FY2028: Sales Revenue ¥27.4bn, Operating Profit ¥3.5bn, EBITDA ¥5.3bn
 - (1) Diversification and expansion of the sales base
 - (2) Enhancement of product development capabilities
 - (3) Recovery of profitability
 - (4) Promotion of sustainability

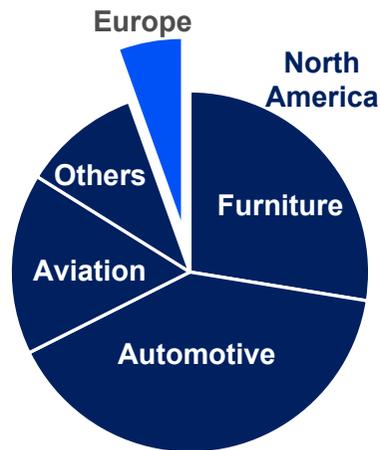
For details, please refer to the attached document. Please direct any enquiries to Takano, General Manager of Corporate Planning Department, at 042-644-6515.

(Note) Earnings forecasts and other forward-looking statements in this document are based on information currently available to the Company 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.

FY2026 Outlook & Rolling Mid-Term Management Plan

Ultrafabrics Group: Current Position and Vision for 2035

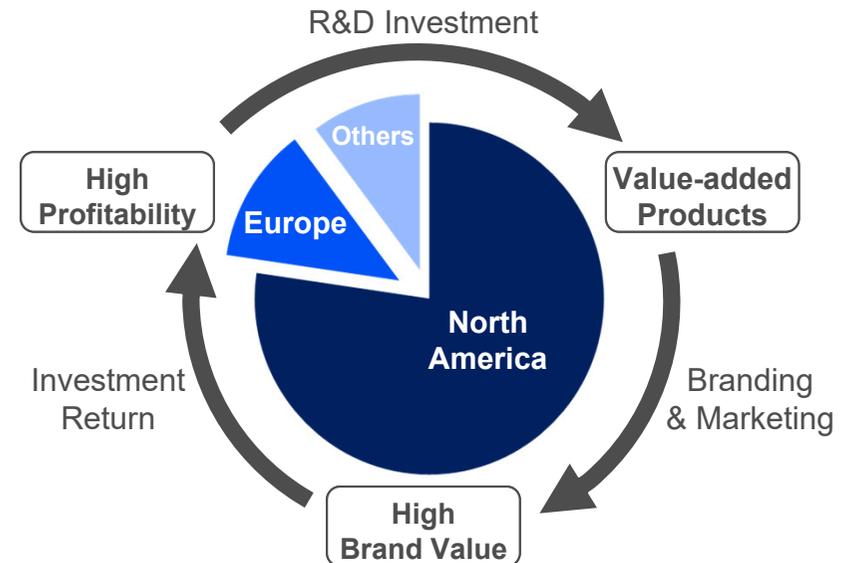
Current Position



Global Niche Player in the Premium Market

- Supplies premium polyurethane leather, leveraging Japan's craftsmanship, for furniture, automotive, and aviation applications
- Production concentrated in Japan (primarily in the North Kanto region), including partial outsourcing
- Sales concentrated in North America and skewed toward certain customers
- Brand recognition remains limited outside the North American furniture market

Vision for 2035

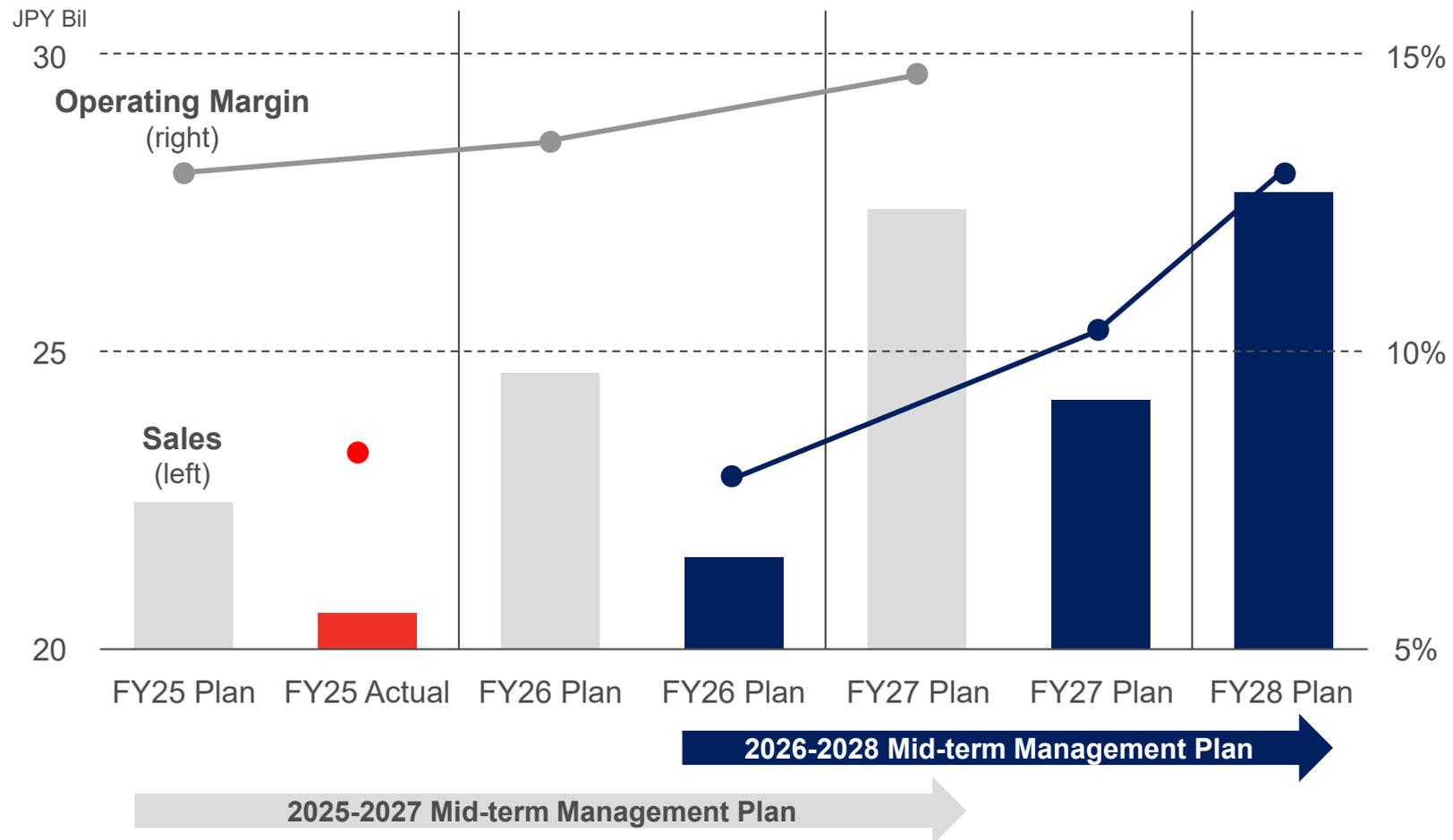


Global Leader in the Premium Market

- **Sustain approximately 10% annual growth through expansion of regions, customers, applications, and products**
- **Deliver high value-added products emphasizing functionality, design, and sustainability**
- **Establish a strong brand presence across three key regions (U.S., Europe, and Asia)**
- **Maintain a high-margin business structure**
 - Operating Margin 15%, EBITDA Margin 25% in the wet-process synthetic leather business

Rolling Mid-Term Management Plan

- ▶ Targets are updated annually on a rolling basis, reflecting recent performance and changes in the business environment



Factors Behind Downward Revision and Key Initiatives

Factors Behind Downward Revision		Affected Segments	
Sales	EX	<ul style="list-style-type: none"> Heightened uncertainty in the U.S. economy, including tariff-related risks such as Trump-era tariff policies, leading to a cautious stance toward new projects and investments 	<ul style="list-style-type: none"> Business Jet Furniture
		<ul style="list-style-type: none"> Persistently high office vacancy rates 	Furniture (office)
		<ul style="list-style-type: none"> Elevated long-term interest rates 	<ul style="list-style-type: none"> Furniture RV
		<ul style="list-style-type: none"> Headwinds in the EV market, resulting in lower-than-expected vehicle production volumes OEM model changes, reducing production volumes for models using our materials 	Automotive (Seating)
	IN	<ul style="list-style-type: none"> Delays in product development 	Automotive (Seating)
		<ul style="list-style-type: none"> Delays in the transition to commercial production, which constrained marketing activities 	All Segments
Profitability		<ul style="list-style-type: none"> Increase in outsourcing ratio Rising raw material costs Persistently elevated defect rates 	

Key Initiatives 2026 -2028

1. Diversify & Expand the Sales Base

2. Enhance Product Development Capabilities

3. Recover Profitability



4. Promote Sustainability

Key Initiative 1: Diversify & Expand the Sales Base

- ▶ **Reduce concentration on the U.S. market and specific customers to mitigate external risks**
 - **Furniture (Residential & Wholesalers):**
 - In FY2025, market conditions weakened amid heightened economic uncertainty, resulting in sales below the initial plan
 - With expanded team resources and new product launches, aim for high growth
 - **Europe (Furniture):**
 - Sales strategy largely agreed upon in FY2025
 - Prototyping underway to address remaining technical issues
 - Expansion planned primarily in office, hotel, and restaurant segments
 - **Europe (Automotive):**
 - FY2025 sales significantly below plan due to lower take-rates and delays in program launches
 - Steady progress in capability building, incl. training of VDA6.3 audit-certified personnel, toward winning new seat programs



Participated in Casual Show for Furniture (Residential)

Key Initiative 2: Enhance Product Dev. Capabilities

▶ Respond to increasingly sophisticated customer requirements and secure additional programs

- **Product development governance:**

- Progress toward additional program wins is reviewed on an ongoing basis at the management level

- **Reorganization of R&D sites:**

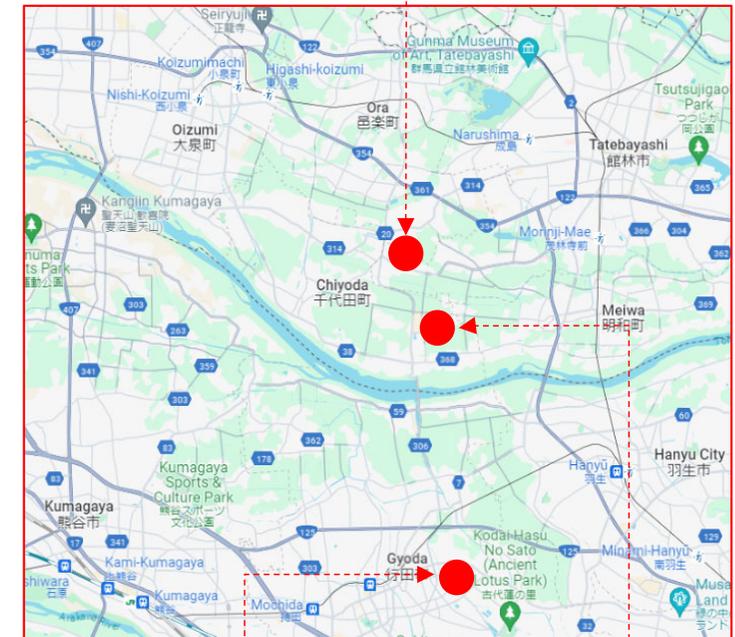
- Closed the Hachioji R&D site in FY2025
- Reorganized into a three-site structure adjacent to manufacturing plants, improving collaboration with production, development speed, and quality
- Expansion of space has alleviated bottlenecks in R&D headcount

- **Process design specialization:**

- Established a dedicated process design function to ensure smooth ramp-up of new products and colors into mass production

- **Shortened sample LT to accelerate Mktg. activities**

Gunma Plant
(Tech Development for Coloring/Post-Processing)



Gyoda Plant
(Basic Research)

Chiyoda Plant
(Physical Property Testing)

Key Initiative 3: Recover Profitability

- ▶ **Restore profitability that declined significantly due to higher cost ratios**
 - **Reduce manufacturing costs by 1.5% annually**
 - Established a dedicated function to stabilize production processes and reduce defect rates
 - **Limit fixed cost growth to approximately the rate of inflation**
 - **Implement sales strategies based on product-level profitability analysis**



Key Initiative 4: Promote Sustainability

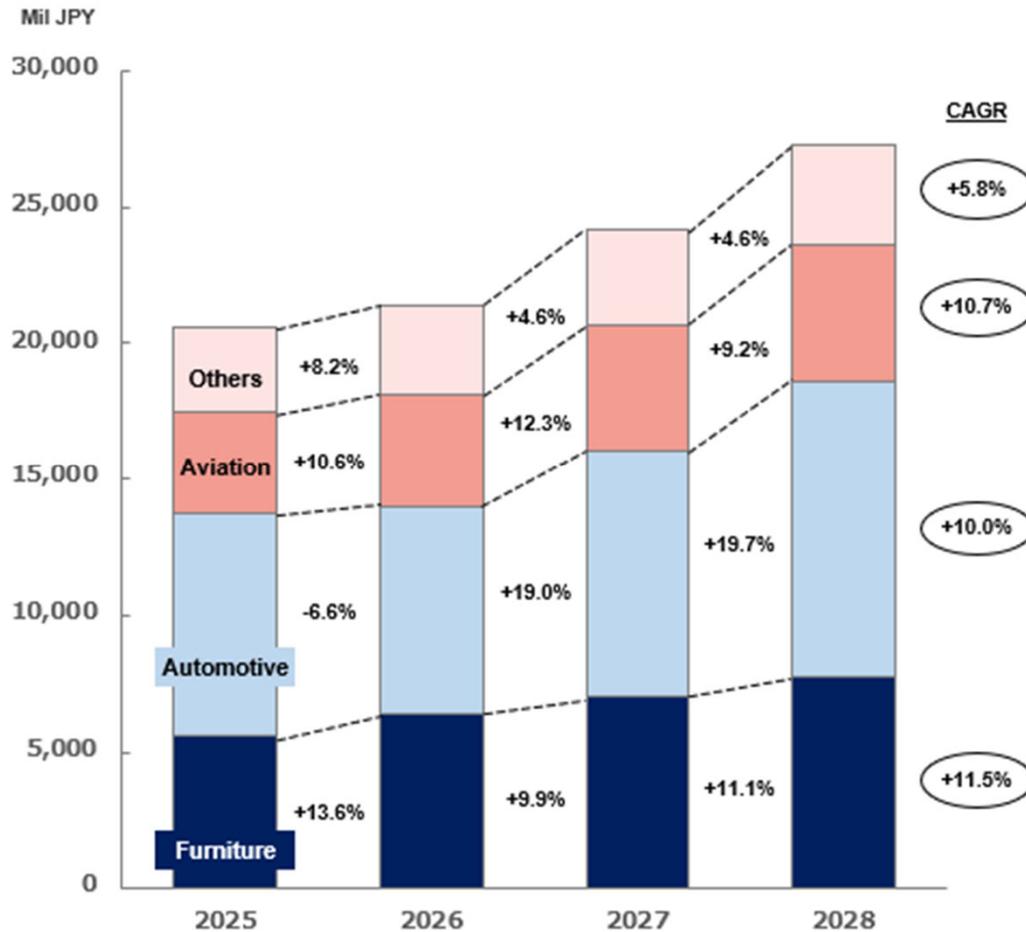
▶ Position sustainability initiatives as a driver of long-term corporate value

- **Achieve targets for sustainable Mfg. processes**
 - In FY2025, examined the cost-effectiveness of investment plans aligned with SBTi certification targets*
 - Investment plans to be finalized in the first half of FY2026
 - Initiated GHG emissions management, including suppliers
- **Recover sustainability-related investments**
 - Explore recovery through brand value, using mechanisms such as mass-balance approaches



*Reduce GHG emissions (Scope 1 & 2) by 42% by FY2030 vs. FY2021 baseline

Sales Plan by Application (2026–2028)



► Furniture

- Stable growth in office & healthcare
- Growth led by residential, furniture wholesalers, and Europe

► Automotive

- FY2026: Sales expected to decline due to discontinuation of certain models at major customers
- FY2027 - 2028: Secure new programs and return to double-digit growth

► Aviation

- Expand customer base beyond major airlines
- Grow via seat manufacturers that supply smaller airlines

Earnings Targets (2026–2028)

	Mil JPY				
	Actual	Mid-term Management Plan			
	FY2025	FY2026	FY2027	FY2028	CAGR
Sales	20,553	21,600	24,200	27,400	+10.1%
Gross Profit	9,328	9,300	10,700	12,000	+8.8%
Operating Profit	1,621	1,600	2,500	3,500	+29.2%
Equity Gains (Losses) of Aff.	-125	-200	-100	200	-
Net Income Before Tax	1,173	800	1,800	3,200	+39.7%
Net Income	786	500	1,200	2,300	+43.0%
EBITDA	3,507	3,400	4,200	5,300	+14.8%
					(2028 vs 2025)
Gross Margin	45.4%	43.1%	44.2%	43.8%	-1.6pt
Operating Margin	7.9%	7.4%	10.3%	12.8%	+4.9pt
EBITDA/Sales	17.1%	15.7%	17.4%	19.3%	+2.3pt
ROE	4.5%	2.9%	6.7%	12.0%	+7.5pt
# of Shares (fully diluted)	19,643	19,664	20,174	20,223	-
EPS	40.0	25.4	59.5	113.7	-
Avg FX Rate	149.7	150.0	150.0	150.0	-

Earnings Targets (2026–2028)

▶ FY2026

- Sales growth limited to +5%
 - Automotive: Sales expected to decline due to the discontinuation of certain models at a major customer
 - Aviation, furniture, and others are expected to return to a growth trajectory as the economy stabilizes
- Profit Before Tax and Net Income expected to decline by around 30%
 - Part of revenue increase reflects the pass-through of additional tariffs
 - Higher raw material and other costs result in OP and EBITDA remaining roughly flat YoY
 - Financial income worsens and equity-method losses increase as both JVs incur initial start-up costs ahead of production

▶ FY2027-2028

- Double-digit revenue growth driven by new automotive programs
- Most of the incremental revenue expected to contribute to profit due to controlled fixed-cost increases
- JVs expected to achieve profitability in FY2028, contributing to equity-method income

▶ ROE

- FY2026: Expected to decline to 2.9%
- Recovers thereafter, reaching 12.0% in FY2028, in line with Cost of Capital levels

▶ FX Assumption

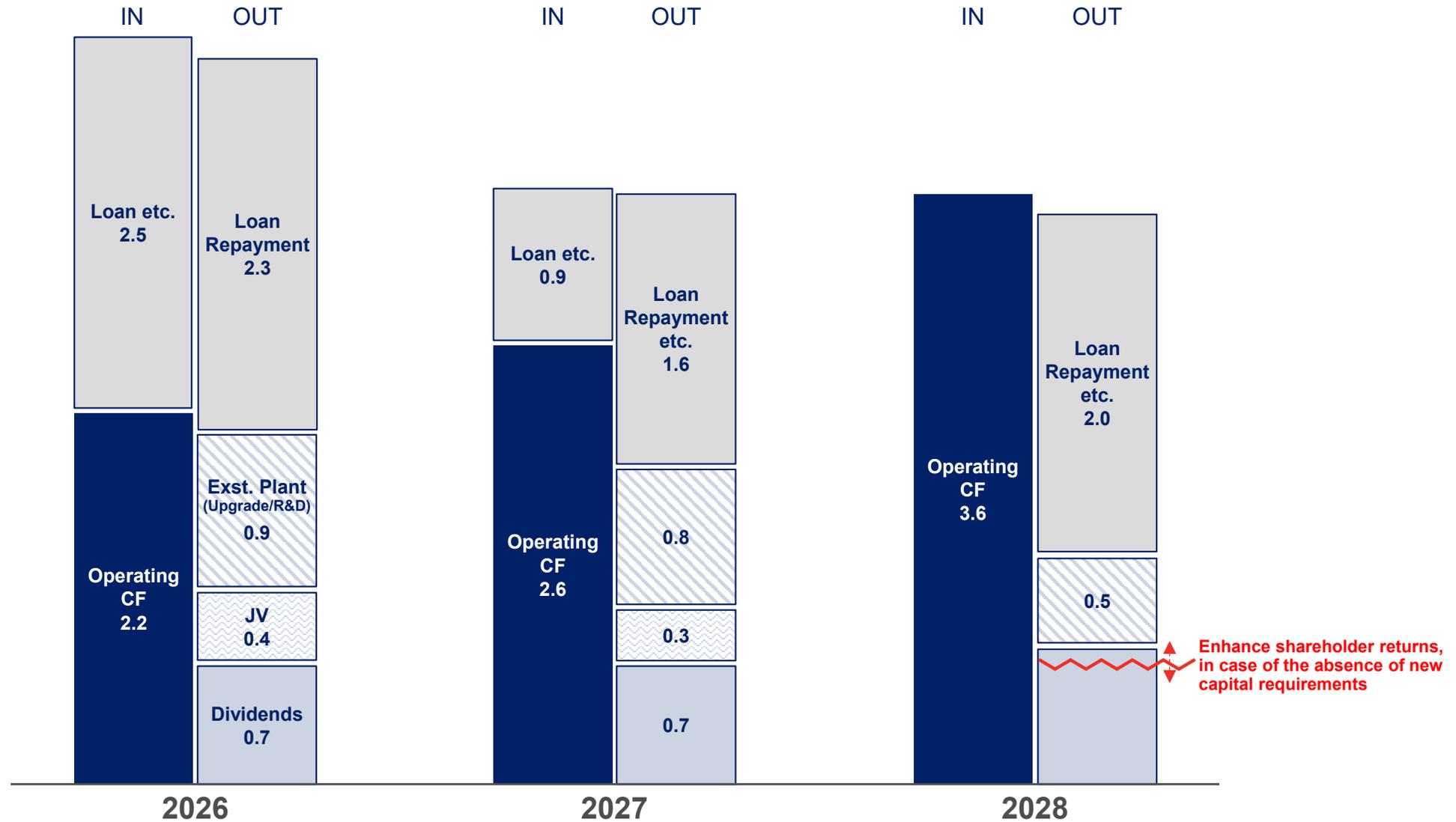
- JPY150/\$
- Sensitivity: Approx. JPY 80 mil impact on operating profit per JPY 1 movement

Cash Flow & Dividends (2026–2028)

	Actual	Mid-term Management Plan		
	FY2025	FY2026	FY2027	FY2028
				Mil JPY
Operating Cashflow	2,979	2,200	2,600	3,600
Net Income Before Tax	1,173	800	1,800	3,200
Equity Gains (Losses) of <i>A</i>	125	200	100	-200
Tax	-363	-200	-500	-900
Depreciation	1,720	1,800	1,700	1,700
Change in WC	-164	-400	-500	-400
Investment Cashflow	-2,016	-1,300	-1,100	-500
CAPEX	-1,333	-900	-800	-500
JV Investment	-502	-400	-300	0
Financial Cashflow	-1,397	-400	-1,400	-2,800
Cashflow Total	-434	500	100	300
Net D/E Ratio	0.7	0.8	0.7	0.5
D/EBITDA	4.4	4.5	3.4	2.3
DPS (JPY)				
Common Stock	35	35	-	-
Preferred Stock	77	77	-	-
Distribution Total	654	654	-	-
Dividend Payout Ratio	83.2%	130.9%	-	-

Cash Flow & Dividends (2026–2028)

JPY Bil



Cash Flow & Dividends (2026–2028)

- ▶ **Operating CF: Up with profitability; +JPY 8.4 bil as cumulative total over 3 years**
- ▶ **Investing CF: No significant capex planned; cumulative total over 3 years: -2.9 bil**
 - CAPEX: 2.2 bil
 - U.S. subsidiary office relocation & IT : 0.6 bil
 - Plant renewals & R&D investments : 1.5 bil
 - JV investment & financing: 0.7 bil
- ▶ **Financing CF: Enhancing shareholder returns while maintaining B/S efficiency**
 - Scheduled long-term loan repayments: 4.7 bil in total over 3 years
 - Borrowings raised at the 2017 business integration
 - Borrowings for domestic plant construction
 - To avoid an excessive decline in financial leverage and prevent a significant increase in total equity, the Company will strengthen shareholder returns.

Dividends

▶ Change in Basic Policy

- Before
 - Maintain stable dividends while strengthening the financial foundation and securing internal reserves for future business development.
- After
 - Continue stable dividends and strengthen shareholder returns
 - Major investment projects largely completed with the Chiyoda Plant; repayments of borrowings raised at the 2017 business integration also peak in FY2026, resulting in increased financial flexibility for the Group

▶ Dividends

- FY2026 DPS (common stock): JPY 35
 - Although FY2026 Net Income is expected to decline by around 30% versus FY2025, the Company sets the dividend based on its focus on dividend stability and its policy of strengthening shareholder returns.
 1. Based on combined FY2025–FY2026 Net Income, the Company targets a 2-year cumulative Payout Ratio of approx. 100%
 2. DPS of FY2025 and FY2026 to be maintained at the same level to ensure stability
- From FY2027 onward, shareholder returns may be enhanced further if no new funding needs arise.