

GUNZE
a touch of *comfort*

Business Report

**Consolidated Financial Statements
for FY2022
(Ending March 31, 2023)**

GUNZE LIMITED
TSE Prime (Code:3002)

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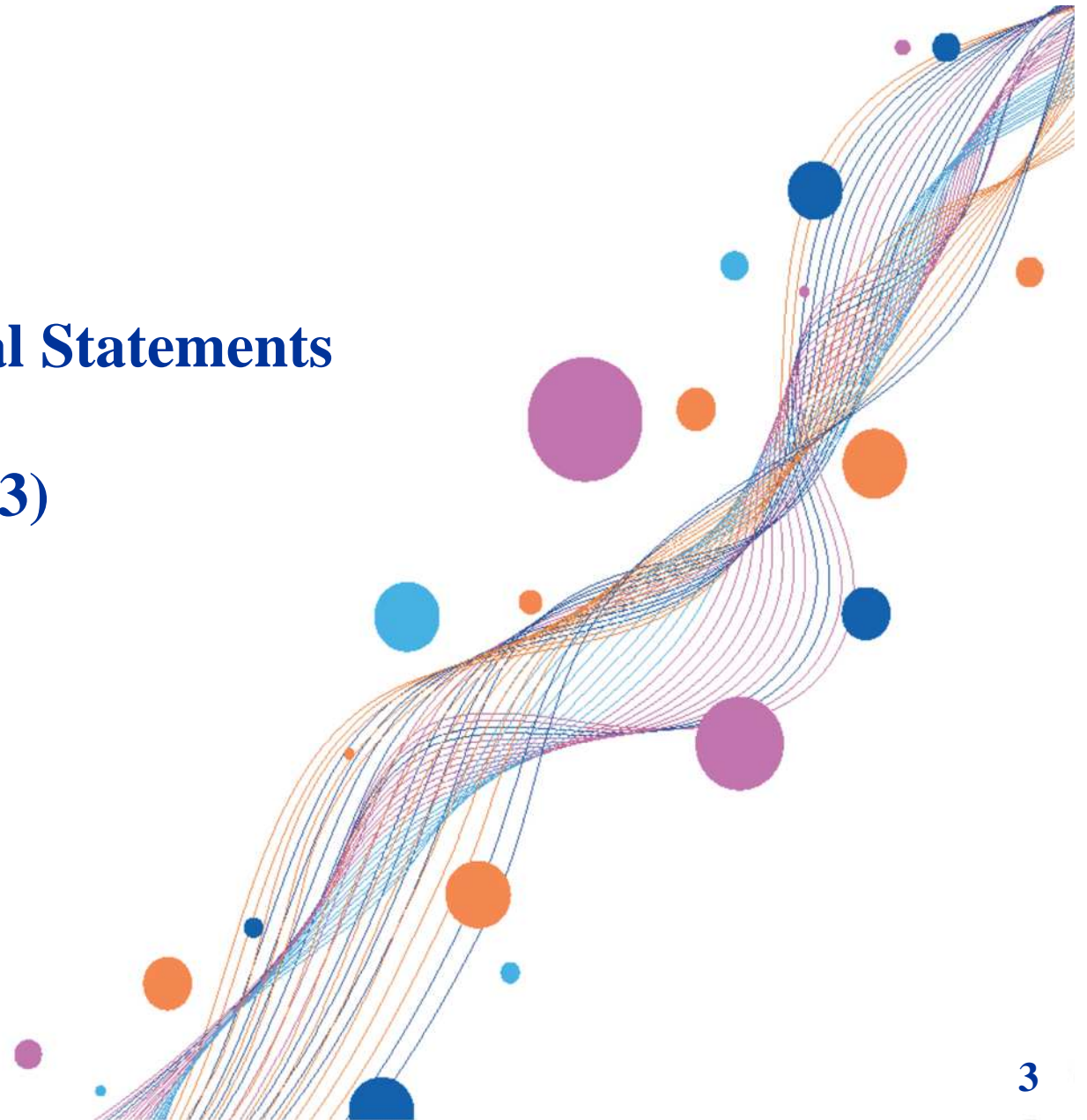
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**I . Consolidated Financial Statements
for FY2022
(Ending March 31, 2023)**



I-1. Consolidated Financial Statements for FY2022

Consolidated operating results

(Millions of yen)

	FY2022 Bottom profit margin	FY2021 Bottom profit margin	Y over Y		FY2022 Forecast	Achievement (%)
			Increase (Decrease)	Change (%)		
Net sales	136,030	124,314	11,715	9.4	136,000	100.0
Operating profit	5,812 4.3%	4,880 3.9%	932	19.1	6,000	96.9
Ordinary profit	6,021 4.4%	5,399 4.3%	621	11.5	6,000	100.4
Profit attributable to owners of parent	4,501 3.3%	2,939 2.4%	1,561	53.1	3,700	121.6

Consolidated financial position

	FY2022	FY2021	Increase (Decrease)
Total assets	165,927	158,216	7,710
Net assets	115,757	112,903	2,854
Equity ratio	69.8%	71.4%	(1.6%)
Interest-bearing debt	15,426	11,029	4,397
BPS (JPY)	6,789.78	6,535.42	254.36

I-2. FY2022 Segment Summary (1)

(April 1, 2022 - March 31, 2023)

In the first year of the "VISION2030 Stage 1" medium-term management plan, net sales and operating profit increased in all segments. However, the company was affected by external factors such as sharp currency fluctuations and rising raw material and fuel prices, etc.

Operating profit fell short of the full-year forecast, but other targets were exceeded.

New Initiatives

Plastic films: Resource Recycling Project

Engineering plastics: Development of new applications

Medical: Expansion of medical business

Business Restructuring

Electronic components: Transfer of the film division

Legwear: End of production at China plant

I-3. FY2022 Segment Summary (2)

Highlights of segment performance

Functional Solutions

Despite the impact of higher raw material and fuel prices, overall sales and earnings increased steadily.

Plastic Films: Strong sales of packaging films, but affected by rising raw material prices.

Engineering plastics: Products for the semiconductor market remained strong.

Electronic Components: Touch panel business affected by deteriorating market conditions.

Medical: Sales remained strong with new product launches.

Apparel

Despite the sales recovery, the loss was due to the impact of foreign exchange fluctuations and surging raw material and fuel prices, but sales increased.

Apparel business sales expanded due to market recovery accompanying the normalization of socioeconomic activities and steady growth in EC and SPA channels, but profits were squeezed by soaring raw material and fuel prices and exchange rate fluctuations, and the company is proceeding with price revisions.

Innerwear: Molded boxer shorts and differentiated foundation group performed well.

Legwear: Sales increased due to market recovery, but the production structure will be reviewed to improve profitability.

Lifestyle Creations

Steady growth through redevelopment of underutilized land, resulting in increased sales and profit.

Shopping center business and sports clubs are both recovering due to the lifting of restrictions on activities.

I-4. FY2022 Performance by Segment

Consolidated Results

(Millions of yen)

	Net sales					Operating profit Bottom: profit margin				
	FY2022		FY2021		YoY	FY2022		FY2021		YoY
		%		%			%		%	
Functional Solutions	60,340	44	56,138	45	7.5% 4,202	8,918 14.8%	95	8,032 14.3%	101	11.0% 885
Apparel	60,986	45	57,197	46	6.6% 3,788	(222) (0.4%)	-	(557) (1.0)	-	- 334
Lifestyle Creations	15,327	11	11,576	9	32.4% 3,751	705 4.6%	8	453 3.9%	6	55.5% 251
Total	136,030	100	124,314	100	9.4% 11,715	5,812 4.3%	100	4,880 3.9%	100	19.1% 932

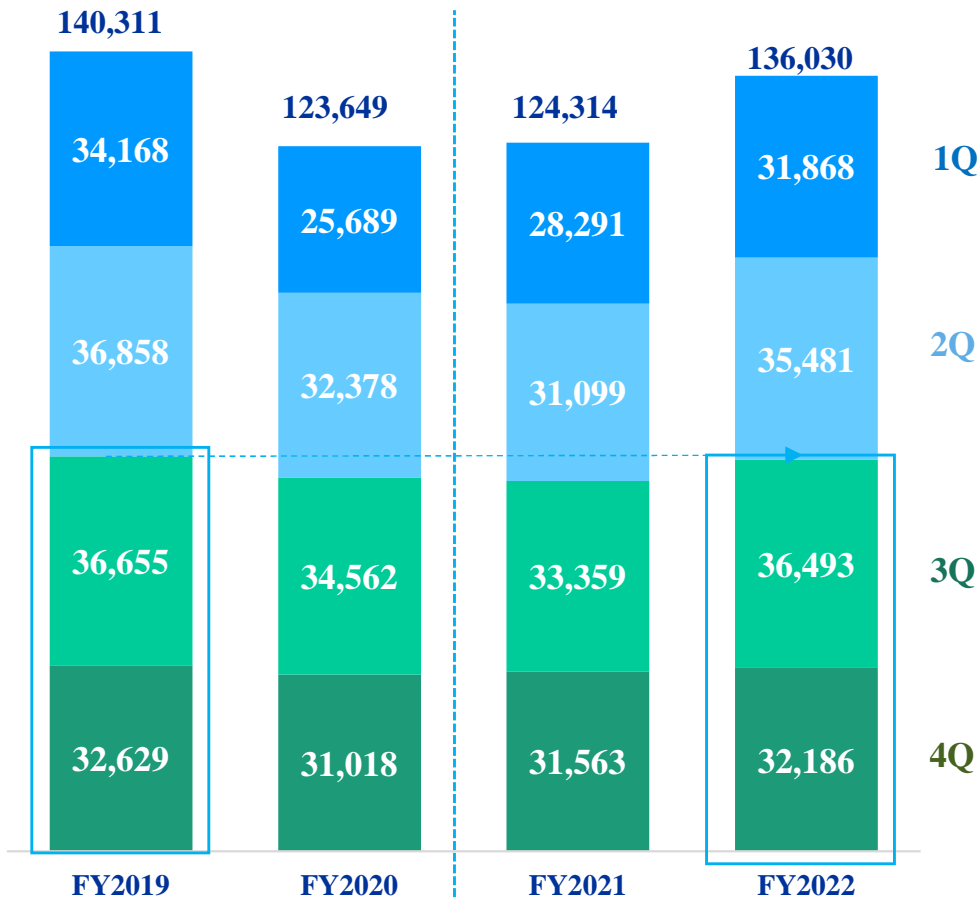
I-5. Net sales for FY2022

Net sales ¥136,030M YoY +9.4%

(Millions of yen)

<By quarter>

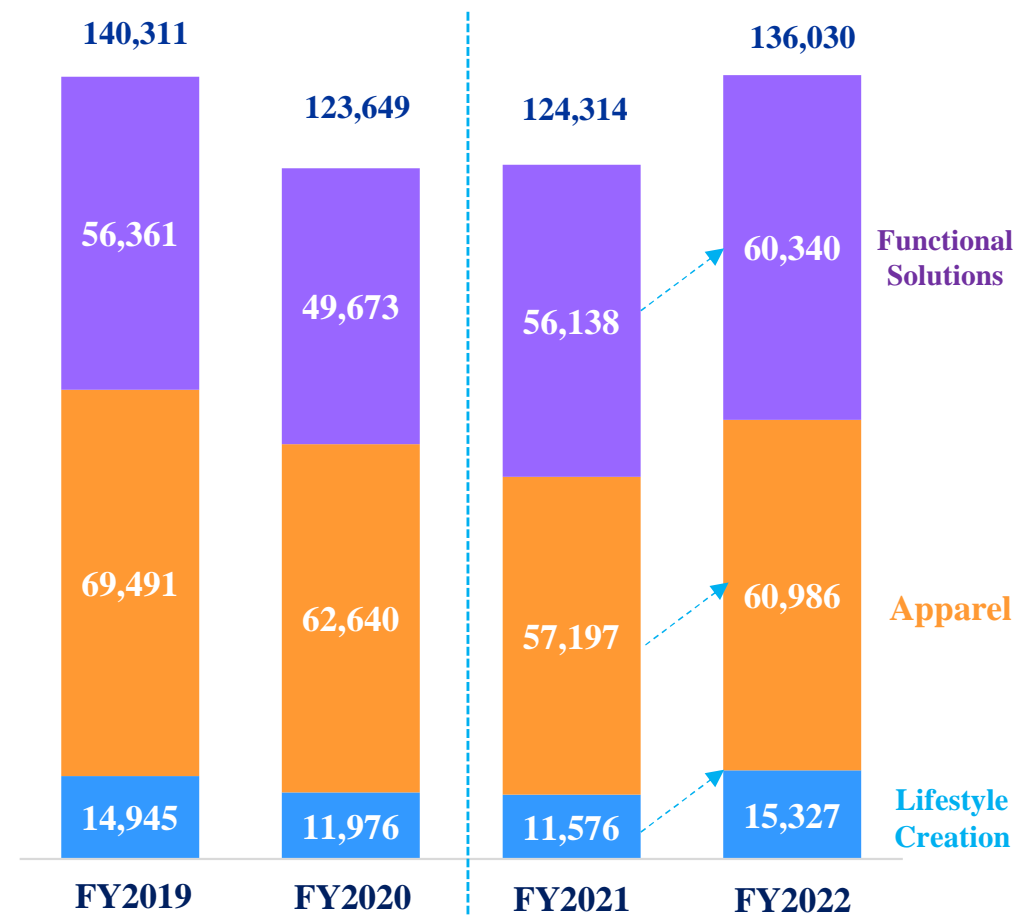
Applied "Accounting Standard for Revenue Recognition"



Return to pre Covid-19 (FY2020)
(especially in the second half)

<By Segment>

Applied "Accounting Standard for Revenue Recognition"



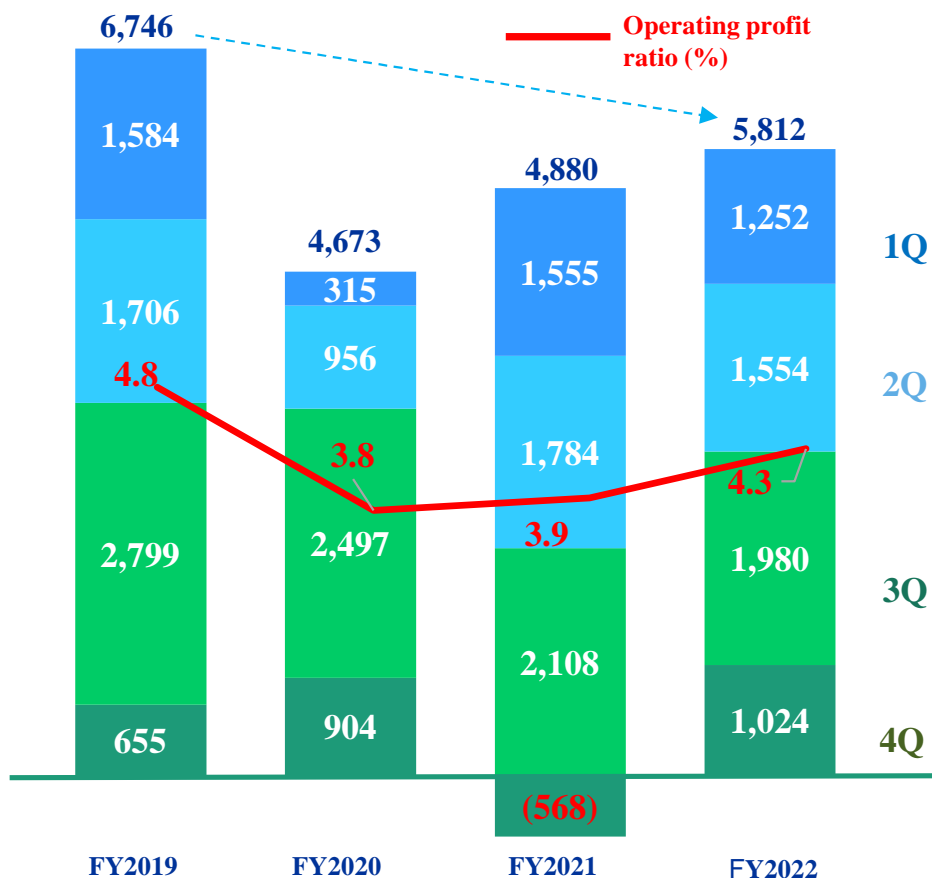
Steady sales growth in all segments

I-6. Operating profit for FY2022

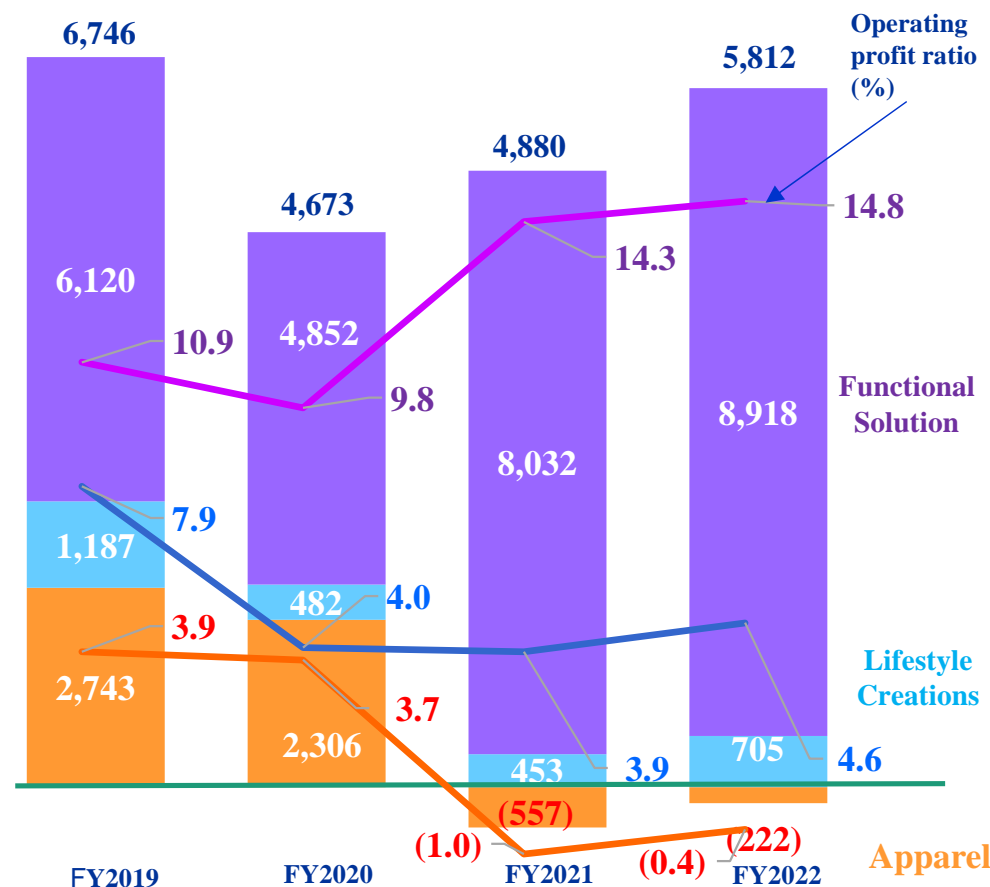
Operating profit ¥5,812M YoY +19.1%

(Millions of yen)

<By quarter>



<By segment>



Affected by external factors such as exchange rate fluctuations, soaring raw material and fuel prices, etc. Profit increased, but did not return to pre Covid-19 levels.

Functional solutions business accounts for the majority of profits. 8,918 million yen is the highest profit in history.

Total includes corporate expenses not included in segment income

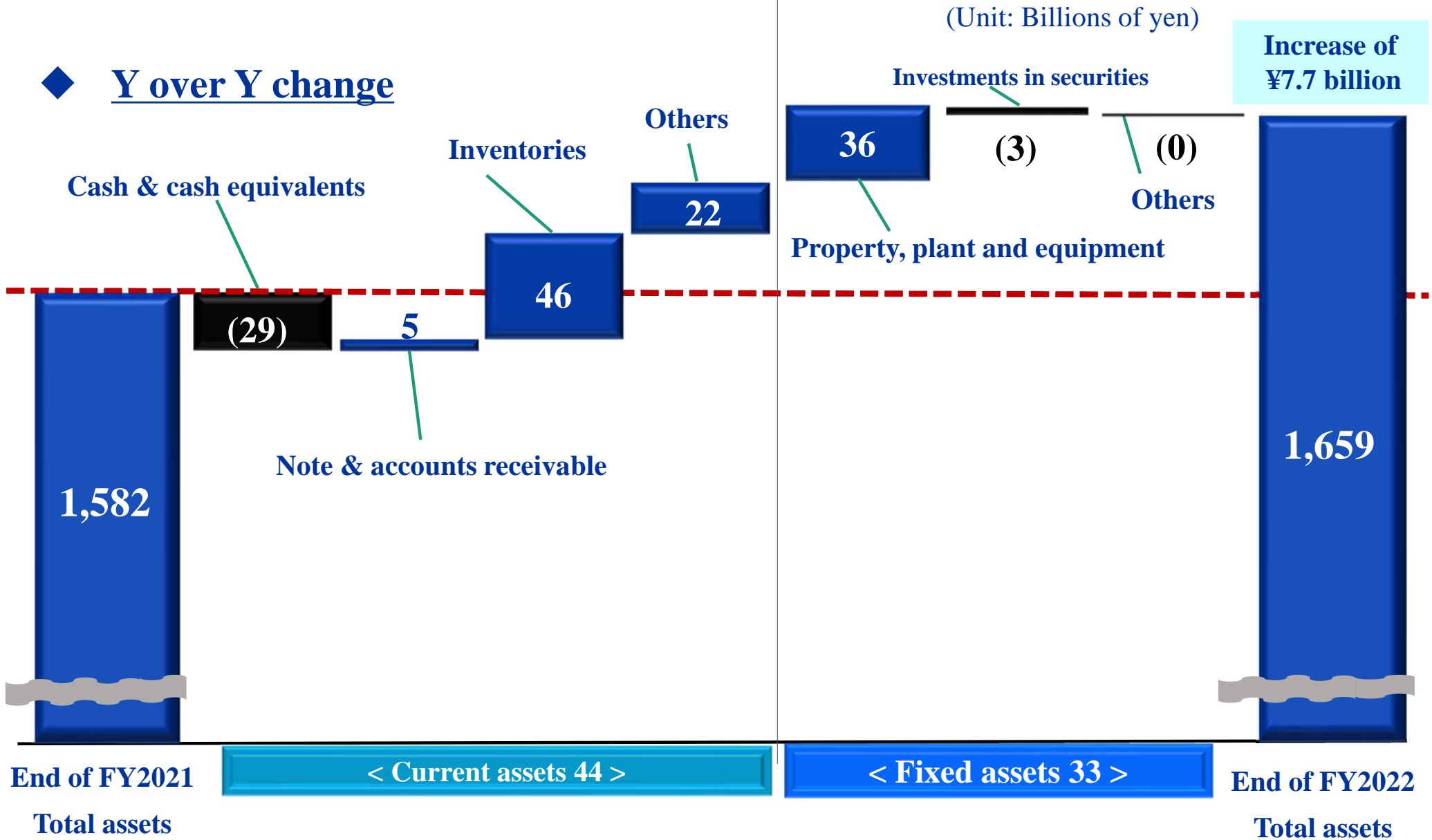
I-7. Extraordinary income/losses for FY2022

(Millions of yen)

	FY2022	FY2021	Increase (Decrease)
Gain on sales of fixed assets	1,013	5,447	(4,433)
Gain on sales of securities	591	727	(136)
Impairment loss	0	(3,513)	3,513
Loss on sales and retirement of fixed assets	(746)	(805)	58
Business restructuring expenses	(325)	(563)	238
Loss on COVID-19	(116)	(410)	294
Others	(50)	(716)	666
Total	368	167	201

I-8. Detail of Changes in Total Assets

◆ Y over Y change



I-9. Cash Flows

(Millions of yen)

	FY 2022	FY 2021	Change
Operating activities	1,794	9,155	(7,360)
Investing activities	(5,920)	6,806	(12,726)
FCF	(4,196)	15,961	(20,086)
Financing activities	1,007	(12,358)	13,365
Cash and cash equivalents	11,547	14,469	(2,922)

■ Breakdown of Operating CF

Profit before income taxes	6,389
Depreciation and amortization	5,760
Increase in inventories	(4,228)
Income taxes paid	(2,877)
Increase in other current assets	(1,779)

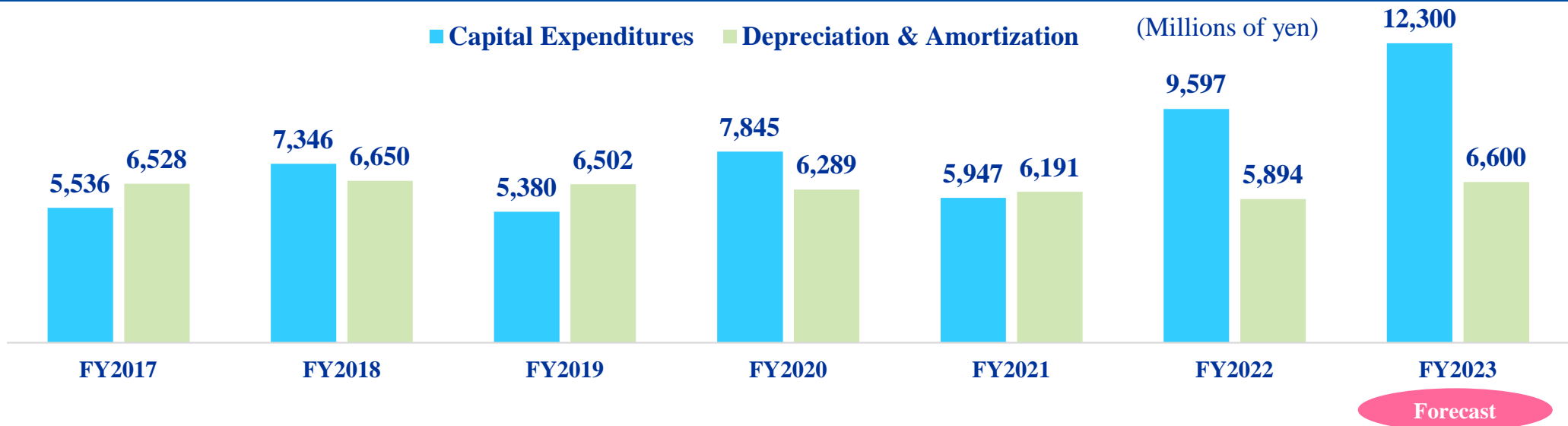
■ Breakdown of Investing CF

Sale of investment securities	4,422
Sale of fixed assets	1,370
Purchase of fixed assets	(10,226)
Purchase of investment securities	(2,060)

■ Breakdown of Financing CF

Long-term borrowings	6,600
Repayment of long-term borrowings	(2,455)
Dividends paid	(2,409)
Purchase of treasury shares	(1,004)

I-10. Capital Expenditures and Depreciation & Amortization





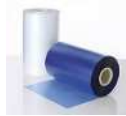

	Capital expenditures					Depreciation & amortization				
	FY2021	FY2022	Change from previous period	FY2023	Increase/decrease during the period	Year 2022 March 31	Year 2023 March 31	Change from previous period	Year 2024 March 31 plan	Increase/decrease during the period
Functional Solutions	1,330	4,816	3,486	5,500	684	2,341	2,423	82	2,700	277
Medical (New)	391	553	162	800	247	312	371	59	500	129
Apparel	2,244	1,493	(751)	2,800	1,307	1,367	1,250	(117)	1,400	150
Lifestyle Creations	867	2,053	1,186	2,400	347	1,698	1,370	(328)	1,500	130
Others	1,114	680	(434)	800	120	472	478	6	500	22
Total	5,947	9,597	3,650	12,300	2,703	6,191	5,894	(297)	6,600	706

I-11. Business Summary by Subsector (1)

Functional Solutions 1

Plastic films

The company launched new environmentally friendly products and continues to promote the Circular Factory Project in Japan. Also the company will promote production innovation through lateral deployment of digital technology and enhances overseas sales expansion in USA, China, ASEAN countries.

Category	Main Products	Topics	Position
Shrink film domestic	<p>Hybrid styrene shrink film is made by coextrusion of PET and PS. It has both well shrinkage and shrink characteristics. New product "olefin shrink has a low specific gravity and easy to recycle.</p> 	<p>Beverage applications were impacted by the expansion of label-less and roll-up labeling and volumes declined, but raw material prices were passed on. Going forward, the company will continue to pass on raw material costs. Recycled hybrid shrink film launched.</p>	Profit increased
Flexible packaging	<p>The products have excellent gas barrier and pinhole resistance for food industry.</p> 	<p>Sales of pinhole-resistant type are expanding. Also the product are exporting well.</p>	
Industrial Packaging	<p>For semiconductor manufacturing , EV batteries, and wallpaper industry etc.</p> 	<p>Continued sluggishness in the Chinese market and the impact of market deterioration due to a decline in smartphone production and sales.</p>	
OPP films	<p>Excellent anti-fog characteristic for food package.</p> 	<p>Orders increased in the first half of the fiscal year due to a sense of high prices, but volumes declined in the second half of the fiscal year and thereafter as the industry entered an inventory adjustment phase.</p>	
Shrink film overseas	<p>Shrink films can be supplied world wide. The company has three production site in USA, China, and Vietnam.</p>	<p>Vietnam: Market conditions deteriorated, but resilient due to cost reductions. USA: Impacted by delayed price pass-through and supply chain disruptions. China: Affected by lockdown and zero corona policy.</p>	

I-12. Business Summary by Subsector (2)

Functional Solutions (2)

Engineering plastics

In addition to EXPANDING the market share of products for the mainstay office automation market, the company is also working to expand the market share of products for the health and aiming to expand sales of products for medical and industrial equipment

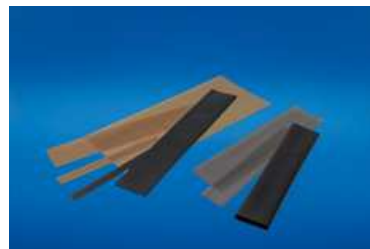
Position

Profit increased

◆ Category	Main Products	Topics
OA Functional products	Fluorine thin film tubes for fusing belts/rolls The intermediate transfer belt has the top share in the global market.	The special demand for small printers has run its course, but the normalization of economic activity has led to a recovery in the market.
Non-OA products	Functional parts used in manufacturing processes in the industrial market.	Demand for semiconductor-related products and healthcare products remained strong.



Seamless belt



Fluorine thin-walled tubing



Filter support materials



Tear-resistant fluoropolymer tubing

Electronic components

Improve profit by enhancing differentiated technology and shoring up management structure.

Position

Profit improvement

◆ Category	Main Products	Topics
Touch screens	Assembly and sales of capacitive touch panels	In addition to material procurement delays in Japan, the company has been impacted by the sluggish PC and smartphone markets in China..

*Kameoka Plant was sold and transferred to Daicel Beyond Ltd. in October,2022.

I-13. Business Summary by Subsector (3)




Functional Solutions (3)

Medical devices

Enhance sales force in USA and China and launch new generation products. Also considering reorganization to enhance competitiveness

Position

Growth & expansion

◆ Category	Main Products		Topics
Bioabsorbable reinforcement felt	Suitable for reinforcing sutures and preventing air leaks during surgery effective as a scaffold material for tissue regeneration		<ul style="list-style-type: none"> • Japan: Corona 8th wave affected, but then sales recover due to easing. • China: Urban areas affected by infection control measures.
Bone fixation devices	Bioabsorbable bone grafting material with special processing		<ul style="list-style-type: none"> • Japan: Growth driven by sales of new products; conversion to proprietary products continues. • China: Expanding sales in rural areas outside urban areas, etc..
<i>Artificial dermis</i>	Absorbable artificial skin using collagen		<ul style="list-style-type: none"> • Japan: Adopted in the emergency field in addition to plastic surgery and wound care. • U.S.A.: Expand penetration by exhibiting at academic conferences, etc.
<i>Gunze Medical</i> (formerly Medical U & A)	Domestic sales company of medical devices Strengths in plastic surgery, neurosurgery and cosmetic surgery		Medical Lasers: Difficulty in securing products due to semiconductor shortage affected.

(New Product) Absorbable adhesion barrier: Absorbent anti-adhesion material consisting of gelatin in film form with an uneven surface. Significant growth due to evaluation of functionality such as flexibility and reapplication.



I-14. Business Summary by Subsector (4)

Apparel

Continue to expand D-to-C channel sales through the e-commerce channel and company-operated stores, which are growing at an accelerated pace in line with changes in consumer behavior, and promote cooperation with other companies.

Innerwear

Expand sales of health and wellness and ethical products in line with consumers' growing return to natural materials, casual wear, health and environmental consciousness, as well as femme-tech products and differentiated foundations.

Position

Profit increased

- Price revision implemented from 22AW, to be continued for 23SS.
- Strong sales in all channels, especially EC and SPA.

men's

BODYWILD: Molded "3DBoxer" sold well on EC channel.

YG: In addition to strong sales of In T series and cutoffs, sales of "NextRa+", which uses sustainable raw materials and modified cotton fabrics increased.

women's

KIREILABO: Strong sales of organic cotton adhesive cup bras and Fitte.

Tuché: Bras and 3DBoxer molded panties with enhanced product variations performed well in the e-commerce channel.



BODYWILD



YG

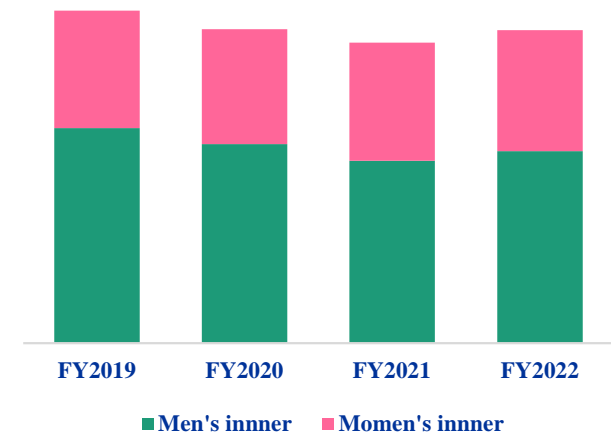


KIREILABO



Tuché

History of Innerwear Sales



I-15. Business Summary by Subsector (5)

Apparel

Growth channel weights (Total is apparel net sales)

Channel	FY2022 Weight			FY2021 Weight		
	Inner	Leg	Total	Inner	Leg	Total
EC	18%	10%	16%	16%	9%	14%
SPA	3%	3%	3%	2%	2%	2%

Legwear

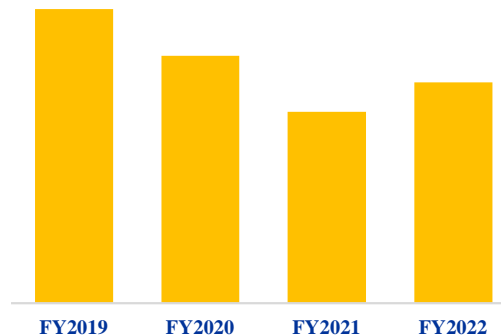
Strengthen market responsiveness based on changing consumer needs, aggressively launch new products in the leggings and bottom categories, including health-related products, and promote structural reform by reorganizing production bases, etc.

Position
Profit improvement

Sales increased compared to the previous year, but improving profitability is an issue.

Stockings and tights: All channels recover in line with the recovery of human flow.
Bottoms: Favorable due to expansion of wear occasions linked to changing lifestyles.
Urgently improve profitability by revising prices, reducing fixed costs and consolidating operations at domestic plants.

History of Legwear Sales



Femme-tech leggings



Night leggings

I-16. Business Summary by Subsector (6)

Position

Profit
improvement

Lifestyle Creations

Real estate

Improve profitability of retail properties and strengthen property-by-property management with an emphasis on investment efficiency

● Status of shopping center business

Tsukashin (Amagasaki City, Hyogo): Sales exceeded the prior year, partly due to the impact of renewals, but were impacted by rising utility prices.



Tsukashin shopping center

● Status of real estate leasing business

Sales and profits from the Nagai City Station Development Project (Yamagata Prefecture) were recognized as construction progressed.

Sports club

Strengthen response to after-corona, expand membership and school business in accordance with regional and store characteristics

Strengthened the school business and implemented price revisions, but the fitness business was affected by the spread of infection.

Provided distinctive services according to the characteristics of each business to meet diversifying needs.



School business

Green business

Aggressive efforts to increase fixed volume to reduce CO2 emissions

Tree sales are impacted by construction delays and cutbacks due to rising building material prices.



Green business

II. Outlook for FY2023



II-1. Changes in the Categories of Reportable Segment

Gunze medical business division, in conjunction with the organizational restructuring of the Medical Division, Gunze Medical Limited, and other companies, effective April 1, 2023, will provide innovative medical devices, namely bioabsorbable medical materials, under an organizational structure dedicated to the medical field, and will aim to further enhance the QOL of patients.

In consideration of this organizational restructuring and to clarify its position as a growth driver in the ongoing medium-term management plan, “VISION 2030 stage 1,” the medical business, which was included in the “Functional solutions” segment in the fiscal year under review, will become a separate “Medical” segment starting from FY2023.

II-2. Outlook for FY2023 (1)

◆ Strategic Issues for FY2023

Functional Solutions

In the plastic film business, the company is actively introducing new environmentally friendly products and promoting resources recycling project and establish a recycling center as a foundation for transforming into a circular manufacturer.

In addition, while promoting production innovation through horizontal deployment of digital technology, the company will strengthen overseas sales expansion in the U.S., China, ASEAN countries, etc.

In addition to expanding its share of products for the mainstay office automation market, Engineering-Plastics will continue to invest in health related businesses, including capital expenditures, to expand its market share.

Expand sales of products for medical and industrial equipment.

Medical

Through organizational restructuring aimed at strengthening the business foundation, the company will establish a system to increase production of absorbable reinforcement felt and artificial dermis, etc.,

Accelerate business expansion by strengthening sales and continuously developing new products in the U.S. and China.

II-3. Outlook for FY2023 (2)

◆ Strategic Issues for FY2023

Apparel

Through organizational restructuring aimed at improving competitiveness based on integrated corporate strength, the company will continue to develop and expand the e-commerce channel, which is growing in line with changes in consumer behavior, and the e-commerce business, which is becoming more competitive. Continue to expand sales of directly operated stores through the D-to-C route and actively promote cooperation with other companies and management.

Expand the lifestyle business by concentrating resources and attracting new customers, and the women's intimate apparel business by expanding sales through differentiated new products.

In terms of production, the company will strengthen our cost competitiveness through automation and the establishment of a globally optimized production system.

Virtually zero CO2 emissions through the use of renewable energy and unmanned lines at major domestic plants will promote the Net Zero Factory Plan in stages.

Lifestyle Creations

Strengthen property-by-property management with a focus on promoting profitability improvement of retail facilities and investment efficiency.

In the sports club business, the company will expand the school business, provide distinctive services tailored to the characteristics of each region and market, and develop new business models.

II-4. FY2023 Forecast

(Millions of yen)

	FY2023		FY2022		Change	
	Forecast	Profit ratio	Results	Profit ratio	Amount	%
Net sales	140,000		136,030		3,970	2.9%
Operating profit	7,500	5.4%	5,812	4.3%	1,688	29.0%
Ordinary profit	7,500	5.4%	6,021	4.4%	1,479	24.6%
Profit attributable to owners of parent	4,800	3.4%	4,501	3.3%	299	6.6%

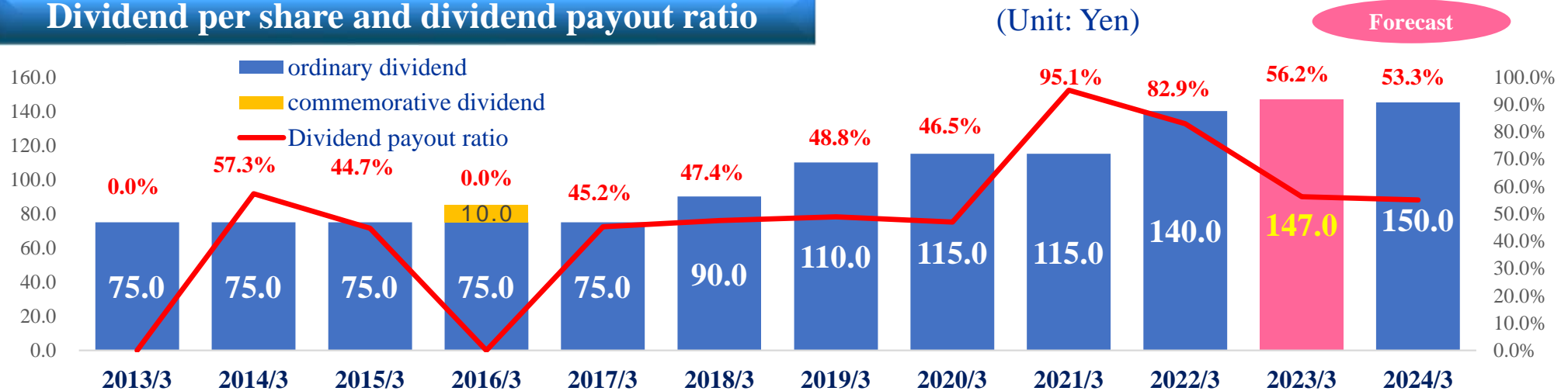
II-5. FY2023 Forecast by Segment

(Millions of yen)

	Net sales			Operating Profit Bottom: Profit margin		
	FY2023	FY2022	Change	FY2023	FY2022	Change
Functional Solutions	51,800	49,555	2,245 4.5%	7,100 13.7%	6,835 13.8%	265 3.9%
Medical (New)	12,000	10,957	1,043 9.5%	2,300 19.2%	2,082 19.0%	218 10.5%
Apparel	63,300	60,986	2,314 3.8%	1,400 2.2%	(222) (0.4%)	1,622 -
Lifestyle Creations	13,800	15,327	(1,527) (10.0%)	800 5.8%	705 4.6%	95 13.5%
Total	140,000	136,030	3,970 2.9%	7,500 5.4%	5,812 4.3%	1,688 29.0%

II-6. Distribution of Earnings to Shareholders

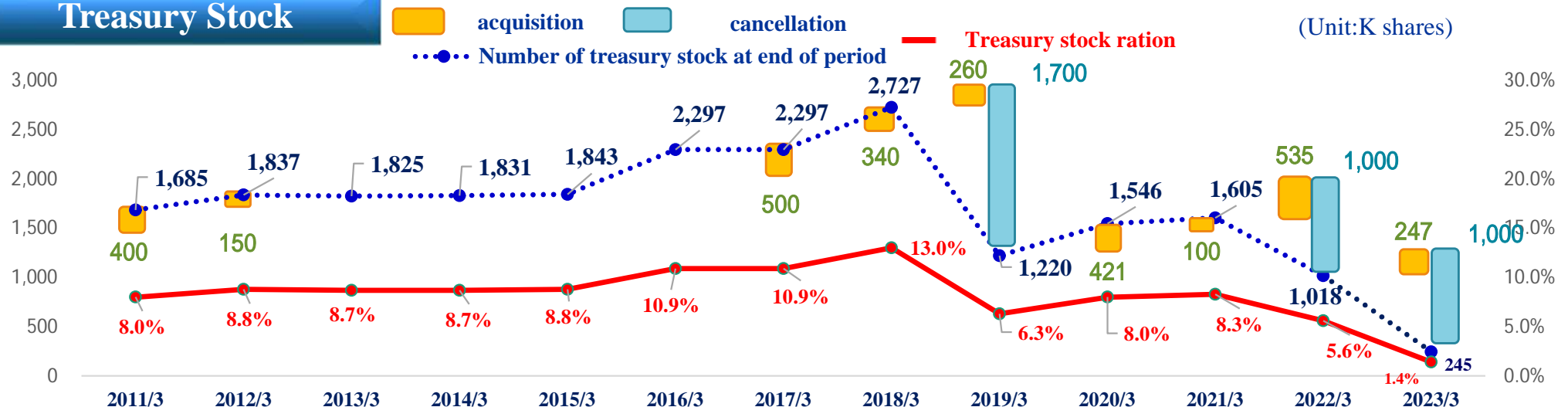
Dividend per share and dividend payout ratio



※GUNZE carried out consolidation of its shares in which every ten shares of the Company's common stock would be consolidated into one share effective October 1, 2017. Accordingly, dividends before the end of March 2017 are converted by reflecting this share consolidation.

Exceeded forecast by ¥145

Treasury Stock



Under the new medium-term management plan "VISION 2030 Stage 1", the company will 100% total return ratio (until ROE exceeds cost of shareholders' equity). Dividend on Equity Ratio (DOE): Policy of returning profits to shareholders with a target of 2.2% or more.

III. Progress of Medium-Term Management Plan VISION2030 stage1



III-1. Medium-Term Management Plan VISION 2030 stage1

(Announced May 13,2022)

Period: FY2022 to FY2024 (3-year plan)

Vision: Create new value and deliver a “feeling of comfortable ” to customers, contributing to a sustainable society.

Through sustainable management that balances economic value and social value contribute to society and achieve sustainable growth for the Group.

Pivotal strategy (Materiality)	Creation of new value	<ul style="list-style-type: none"> • Creation of new businesses and growing existing businesses (including M&As). • Offering new products/services designed with enhanced sustainability in mind.
	Evolution of corporate constitution	<ul style="list-style-type: none"> • Establishing a corporate culture that empowers diverse talent. • Promoting employee mindset/duties transformations through work style reforms. • Transforming business processes through the proactive use of digital technology.
	Environmentally responsible management	<ul style="list-style-type: none"> • Reducing negative environmental impact from business activities.
	Capital cost-focused management	<ul style="list-style-type: none"> • Strategic allocation of management resources. • Achieving a positive GVA value by improving capital efficiency.

III-2. Progress of Mid-term Management Plan

<Financial targets>

(Millions of yen)

	FY2021	FY2022	FY2023	FY2024
	Results	Results	Forecast	Targets
Net sales	124,314	136,030	140,000	140,000
Operating profit	4,880	5,812	7,500	10,000
Operating profit ratio	3.9%	4.3%	5.4%	7.1%

<Management targets>

<p>ROE 6.3% or higher Ratio of net income to shareholders' equity <Return on equity></p>	<p>FY2020 result 1.9%</p>	<p>FY2021 result 2.6%</p>	<p>FY2022 result 3.9%</p>	<p>FY2023 forecast 4.2%</p>	<p>FY2024 target 6.3% or higher</p>
<p>GVA Total company-wide profitable (After-tax operating income + dividends) - Invested capital x WACC</p>	<p>FY2020 result (¥3.1B)</p>	<p>FY2021 result (¥2.6B)</p>	<p>FY2022 result (¥2.3B)</p>	<p>FY2023 forecast (¥11B)</p>	<p>FY2024 target positive</p>
<p>Distribution of earnings to shareholders Maintain 100% total return ratio until ROE exceeds shareholders' equity cost DOE 2.2% or higher</p>	<p>FY2022 Dividend per share ¥147 Repurchase of treasury stock ¥1,004M Dividend payout ratio 56.2%, DOE 2.2% Total return ratio 100%</p>			<p>FY2023(forecast) Dividend per share ¥150 Dividend payout ratio 53.3% DOE 2.2% or higher Total return ratio 100%</p>	

IV. Strategies to Achieve Goals of Medium-Term Management Plan



IV-1. History of Medical Business

Gunze had been researching the use of textile materials, which had been its main product, in fields other than clothing. In 1984, Gunze and Kyoto University's Research Center for Medical Macromolecules began research and development of bioabsorbable sutures. Two years later, the company succeeded in commercializing the first bioabsorbable suture in Japan in 1986.

First in Japan

Absorbable suture material



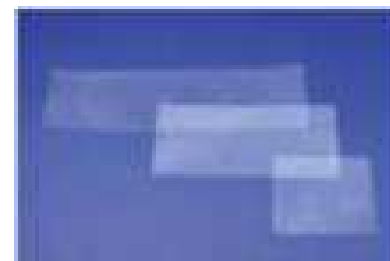
1986

Absorbable bone fixation devices



1995

Absorbable dural substitute



2007



1992



Absorbable reinforcement felt

1996



Artificial dermis

New product

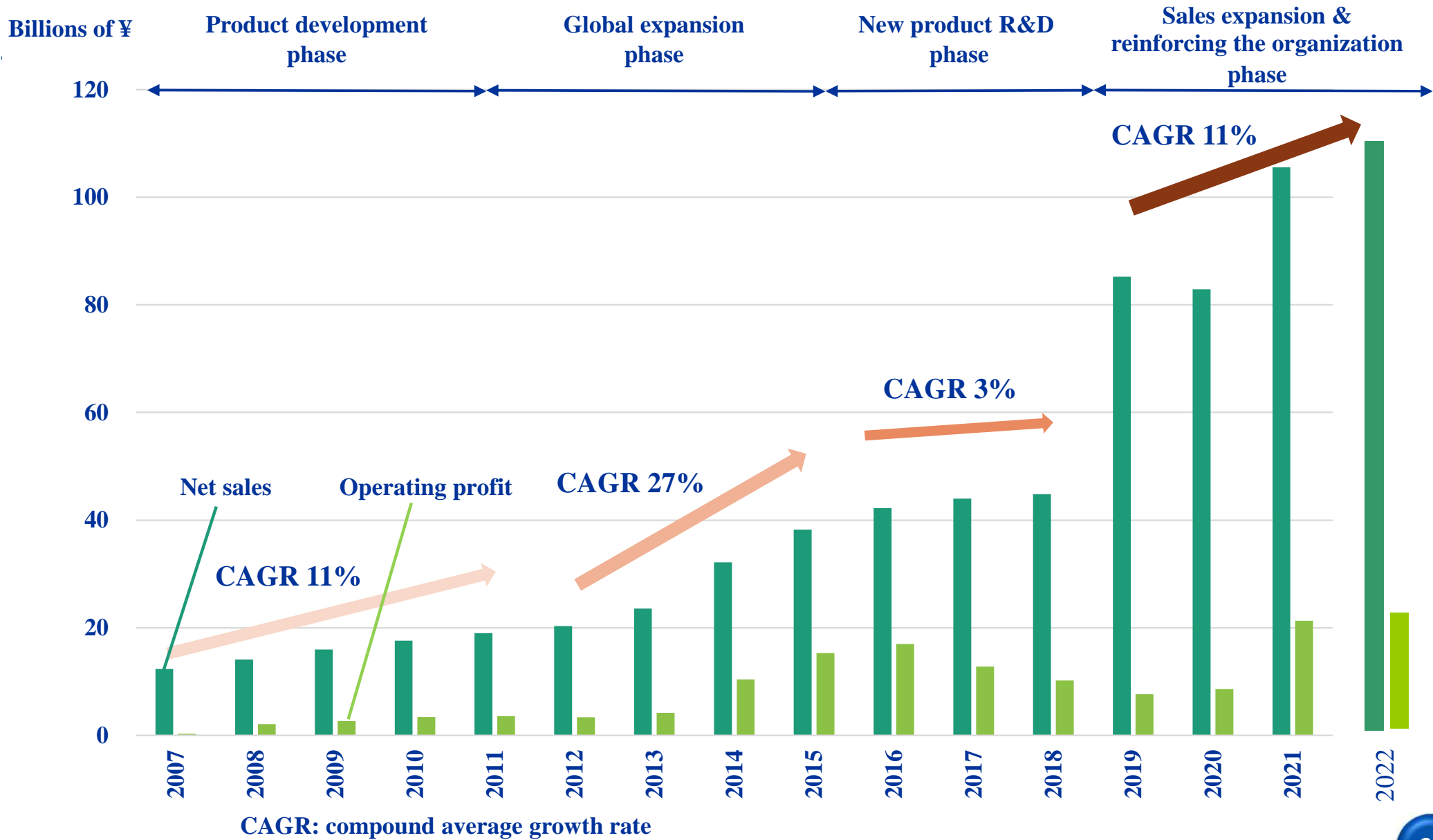
2022



Absorbable adhesion barrier

Development of medical devices regulated by the Pharmaceutical Affairs Law, with a focus on absorbable materials as scaffolds for regenerative medicine. Long-standing quality and safety record and high reliability in the medical device market.

IV-2. Medical Business Net Sales and Operating Profit Trends

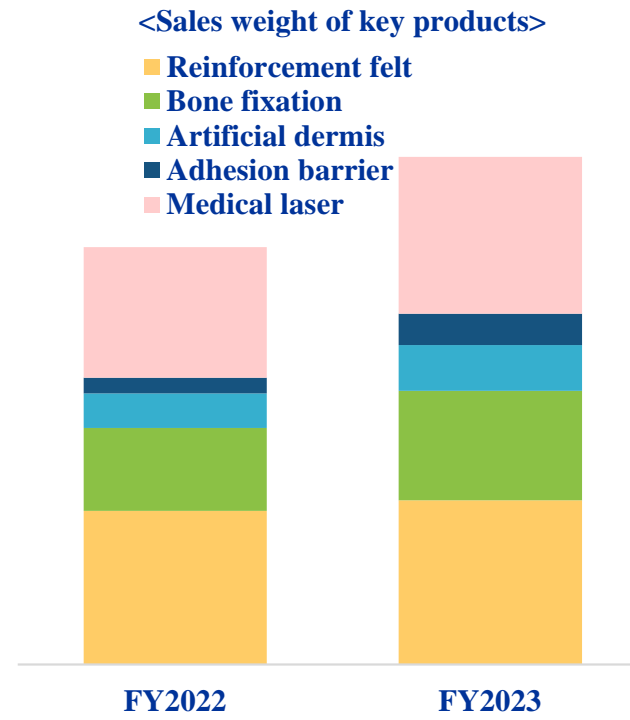


Growth & expansion

IV-3. Medical Business Strategy

The company provides innovative medical devices, mainly bioabsorbable products, to improve the quality of life of patients. Supporting the creation of new corporate value, such as the use of scaffolding materials in regenerative medicine.

Strategy	Major Initiatives
Existing products sales expansion	<ul style="list-style-type: none"> Expand sales of key products mainly in Japan and China Expand sales of plastic, respiratory, and cosmetic medicine as key areas.
New products & channel sales expansion	<ul style="list-style-type: none"> Sales expansion of artificial dermis in the U.S.. Entering the abdominal market as a growing business with adhesion barrier.
New products development	<ul style="list-style-type: none"> Parallel development in Japan and China and continuation of clinical trials. Challenge market development through in-house development and purchased products.
M&A targets search	<ul style="list-style-type: none"> M&A and startup collaborations and partnerships with material manufacturers, medical device manufacturers, and so on.



Aiming to expand the Ayabe Plant and construct a new building (investment of approximately ¥1.7 B) to increase production and improve production efficiency, with a target completion date of March 2025.



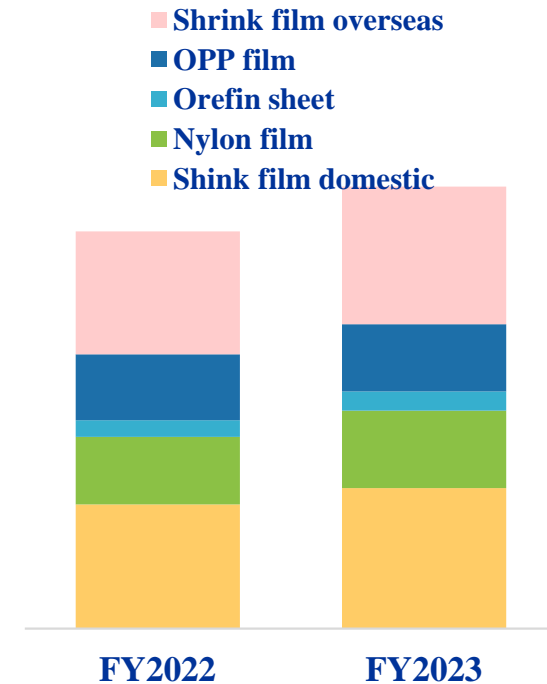
Image of a new Ayabe Plant

IV-4. Plastics Film Business Strategy

Based on our resource recycling strategy, the company will strengthen our global expansion as a resource recycling manufacturer and lead the market.

Strategy	Major Initiatives
Resource Recycling Strategy	<ul style="list-style-type: none"> Drive promotions with resource recycling factory to strengthen customer relationships.
Development of sustainable products	<ul style="list-style-type: none"> Launch and expansion of new environmentally friendly products. (Bio-attributed film, olefin film, etc.) Launch and expansion of films to reduce food waste loss. (freshness-retaining, pinhole-resistant films, etc.)
Zero plastic waste and promote high-efficiency production by new technologies	<ul style="list-style-type: none"> Introducing recycling innovation technologies and its global expansion. Establish efficient production system.

<Sales weight of key products>



Resource recycling factory in Moriyama will start operation in July 2023, aiming to achieve zero plastic waste by March 2025.

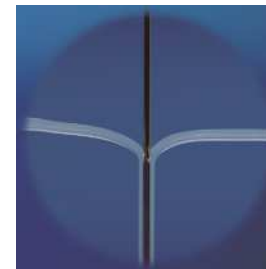
Resource recycling factory in Moriyama

Profit increased

IV-5. Engineering Plastics Business Strategy

Evolve as a business that can contribute to solving sustainable social issues by expanding new segment products with a focus on non-OA equipment.

	SBU	Major Initiatives
Non-OA	Health care	<ul style="list-style-type: none"> Expand adoption in medical-related products, such as catheter manufacturing. Strengthen medical device new product development.
	Industrial equipment	<ul style="list-style-type: none"> Leverage original extrusion and orientation technologies to accelerate application development.
	Fiber technology	<ul style="list-style-type: none"> Expand semiconductor-related filter support materials business. Strengthen marketing efforts in overseas markets.
OA Equipment		<ul style="list-style-type: none"> Develop high-function, high-value-added products that match the performance of office automation equipment.



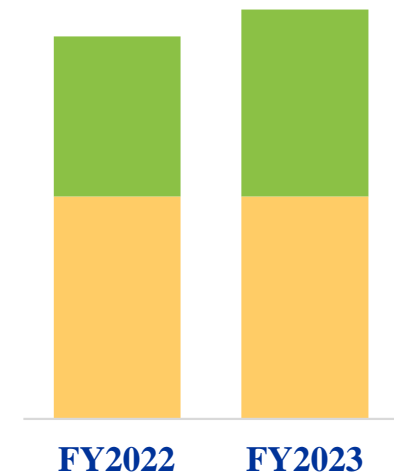
Used in catheter manufacturing
Ultrafine shrinkable tube



Used in semiconductor manufacturing
Filter support material

<Sales weight of key products>

■ OA use
■ Non OA use



The office building in Konan, which has acquired "*ZEB" certification, started operation in February 2023.

Net Zero Energy Building, abbreviated as "ZEB". It is a building that aims to achieve a comfortable indoor environment while reducing the annual primary energy consumption of the building to zero. It is a building that reduces primary energy consumption by 50% or more from the standard primary energy consumption excluding the amount of energy produced, and by 100% or more from the standard primary energy consumption including the amount of energy produced.

However, energy consumption can be reduced to zero on a net basis by reducing energy consumption through energy conservation and generating energy for use through energy generation.



New ZEB office building in Konan

IV-6. Apparel Business Strategy

Launched a new customer-focused organization. Shifted to Direct to Consumer channel.

Strategy	Major Initiatives
Strategy to grow by acquiring new customers, mainly in the D-to-C channel	Lifestyle: Attract new customers by expanding product lines. Women's innerwear: Grow market share through differentiated technologies with competitive advantages.
Strengthen marketing capabilities for the D-to-C channel	Clarify segments, goals, and positioning, and implement product and sales strategies to create new competitive advantages.
Restructuring of the sales strategy using EC, SPA and collaboration with companies	EC: Get more customers by acquiring new customers and keeping them as loyal customers. SPA: MD reform based on customer analysis and establishment of new store formats. New areas of collaboration with companies with different customer segments. Improve sales system efficiency through Sales DX. Reform the storefront and sales style by leveraging D-to-C expertise.
Establish an optimal production system	Innerwear domestic: Increase automation rate and expand capacity. Innerwear overseas: Relocate in-house planned production to Vietnam. Legwear: Continue business structure reform and on-site innovation such as automation.

<Sales weight by group>



To maximize "Lifetime Value" by combining the collective strength of the apparel business.

Lifetime Value: The amount of profit a customer generates by continuing to buy a company's products throughout their life cycle.

GUNZE

The information contained in this document, including earnings forecasts, is based on judgments made in accordance with information currently available, and does not guarantee any future planned figures or measures.