Outside Executive Roundtable Discussion

For the Gunze Group to Survive in a Rapidly Changing Environment

Osamu Kujiraoka Outside Director

Leveraging his career as an executive officer of a publishing company, Mr. Kujiraoka has been applying his objective viewpoint in the management of the Gunze Group for six years. He provides advice based on his extensive experience and broad knowledge, especially in the medical field, one of the Company's high-growth businesses.

Hiroe Nakai Outside Director

Ms. Nakai has been applying her objective viewpoint in the management of the Gunze Group for seven years based on her ample experience and insight in a wide range of fields as an attorney. Additionally, she enhances Gunze's corporate governance as the chair of the Nomination/Remuneration Committee.

Rie Kida Outside Director

Ms. Kida has been applying her objective viewpoint in the management of the Gunze Group for five years. She offers advice based on her ample experience and broad knowledge, especially in the areas of B2C business and women's empowerment, leveraging her career of being involved in marketing research and support for various activities from her unique perspective.

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What is your evaluation of the pivotal strategies of the previous Medium-term Management Plan, VISION 2030 stage1 ("stage1"). What are your views on future challenges?

Management focused on the cost of capital

Nakai: Gunze has been emphasizing the importance of the cost of capital in its management practices. The Board of Directors discusses issues to achieve management that is focused on the cost of capital. We discussed ways to turn around the electronic components business and took steps with the goal of making it viable for survival. However, we concluded that it would be challenging to improve profits and meet our targets. As a result, we transferred the film and touch panel businesses to other companies and withdrew from the electronic components business by the end of FY2024. Results in the apparel business diverged from the operating goals in the Medium-term Management Plan primarily due to the declining domestic market. To revitalize the apparel business and sustainably generate profit, we have decided to undertake a structural reform starting this fiscal year. The Board of Directors makes decisions to proactively invest in growth businesses while taking steps to withdraw from low-profit businesses and implement structural reforms. We continue to discuss reforms to ensure the Company becomes sustainable and robust.

The evolution of our corporate culture

Kida: In stage1, we did not meet our engagement score target in terms of affection for the Company, trust in it, and willingness to contribute to it. The main challenge is that many young employees in their 20s and 30s feel that they have limited opportunities to engage in meaningful work, experience sense of accomplishment or grow personally. Regarding the empowerment of women, we met the FY2024 targets for the ratio of women in managerial roles, ratio of women employees, and ratio of women hired on a main career track. Gunze's goal is to increase the ratio of women in managerial roles from the current 6% to 20% or more by 2030. A key focus for us all is the development of an organizational culture that encourages diverse talent to maintain their desire for personal growth. To cultivate this corporate culture, it is crucial that we review our personnel system. We need to ensure that employees realize that they have opportunities to thrive and that their growth and results are recognized regardless of their age, gender, or years of service.

The creation of new value

Kujiraoka: The separation of the medical business from the functional solutions business, the establishment of GUNZE MEDICAL LIMITED, and the expansion of factories and laboratories have clearly highlighted the medical business's role as a driving force for growth. We greatly appreciate this development as a strong declaration of our intent. Sales and profits in the medical business are growing steadily. To achieve even greater growth, I hope that we will quickly implement collaboration, co-creation, M&A, capital investment and other initiatives. All of the executives naturally agree that it is essential for every business division to create new value through their own initiatives, thereby strengthening the corporate structure of Gunze as a whole.

Gunze's history spans nearly 130 years. It began as a silk manufacturing company and has consistently explored new markets to enhance its corporate value. I believe that Gunze possesses the inherent ability to create new value.

The period of the new Medium-term Management Plan VISION 2030 stage2 ("stage2") is defined as a three-year period for transforming the Company. What was discussed during the development of this theme? What are the key factors that will enable the Company to achieve the objectives of the plan?

Kida: In stage1, we increased sales and profits, but we did not meet our targets. There continue to be significant issues regarding profitability. To meet the expectations of our shareholders and enhance corporate value, it is crucial that we improve ROE and

The top priority is the development of an organizational culture that encourages diverse talent to maintain their desire to grow personally.