

Functional Solutions Business



Supporting the future through new fields, including the development of sustainable and other differentiated products that deliver new value and the expansion of global markets

The functional solutions business began in 1962, when the rapid growth of the petrochemical industry and the rising consumption of plastic resins prompted the Company to enter the plastic films field, starting with the production of its own packaging film for stockings. Since then, we have developed unique new technologies through the fusion of resin processing and surface processing technologies. Following these developments, we expanded our business into the engineering plastics field, the electronic components field, and the mechatronics field. Today, we offer one-of-a-kind, niche products in each of these businesses. We will continue to engage in the creation of new value to support a sustainable society and economic activities.

Toshiyasu Saguchi

Representative Director,
President and President Corporate Officer
Functional Solutions Business and Medical Business Executive Officer

Fiscal 2022 Business Strategies and Results

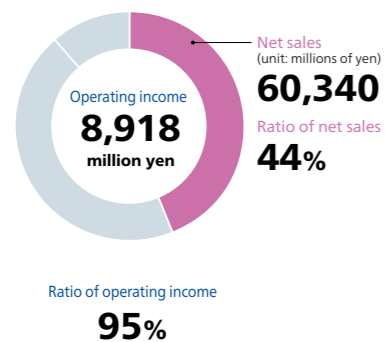
In fiscal 2022, the functional solutions business saw strong performance overall despite the impact of soaring raw material and fuel prices. As a result, the business recorded net sales of ¥60.3 billion and record-high operating income of ¥8.9 billion.

In the plastic films field, sales of packaging films remained robust, whereas films for industrial applications struggled due to weak market conditions. Similarly, our mainstay shrink films also saw lower sales volume due to the shift to label-less bottles in the beverage industry.

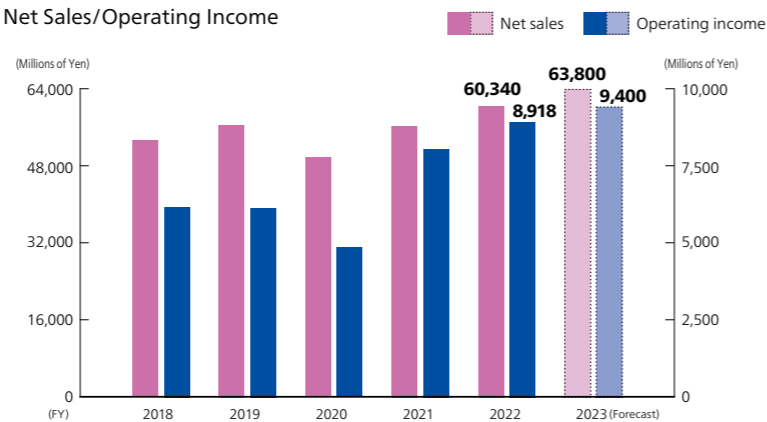
Soaring utility costs also placed downward pressure on profits. In the engineering plastics field, sales of films for OA applications trended positively owing to a recovery in sales of office-related products, while sales of films for the

semiconductor market also continued to perform robustly. The electronic components field was affected by deteriorating market conditions in the touch panel business. Despite the impacts of supply chain disruptions on medical lasers, the medical devices remained firm due to steady progress in new product market launches. As new initiatives, we launched the Circular Factory Project in the plastic films field, developed new applications in the engineering plastics field, and ramped up initiatives toward expanding the medical business through corporate mergers in the medical materials field. On the other hand, we sold off the film division from our electronic components business as part of our business restructuring efforts.

Fiscal 2022 results



Net Sales/Operating Income



* Forecast values for fiscal 2023 were calculated so as to include the medical business after splitting it off from the functional solutions business

Challenges and Actions to Achieve the Basic Strategies of VISION 2030 stage1

Plastic Films Field

Results and Challenges

In fiscal 2022, the domestic business saw continued strength in nylon and other films that help reduce food loss, despite being affected by a contraction in the shrink label market due to soaring raw material and fuel prices and by a weak market for industrial applications. The overseas business experienced steady sales growth in ASEAN countries, yet was impacted by lower demand in the United States due to the COVID-19 pandemic, weak market conditions due to inflation and other shifts in the business environment, and supply chain disruptions. With the aim of transitioning to a sustainable business structure, we built the new MoriYama Circular Factory as a resource-recycling factory. Going forward, we will actively work to attract customers in an effort to gain an understanding of and support for our resource recycling strategy. Similarly, we will strengthen global expansion as a

circular manufacturer that spreads new application value for plastics to the world in aims of becoming a market leader.

Future Initiatives

We will launch and expand sales of recycled, biomass, olefin, and other new environmentally friendly films, as well as films that are effective in reducing food waste and loss. Similarly, we will begin full-scale operations at our Circular Factory (resource-recycling factory) and promote the establishment of recycling centers that will form the foundation of our transformation into a circular manufacturer. We will also deploy the Circular Factory Plan horizontally to overseas factories in the future as appropriate. Moreover, we will advance production innovations through greater application of digital technologies, and we will strengthen sales in overseas markets, including the United States, China, and ASEAN countries.

Engineering Plastics Field

Results and Challenges

During fiscal 2022, semiconductor-related products contributed significantly to higher sales in the engineering plastics field. Despite the impact attributable to global exhaustion of the fluororesins used as a raw material for these products, our efforts to secure new procurement channels and to implement other aggressive response measures led to a robust performance overall. Health and medical-related products also contributed to business scale expansion as a result of progress in pioneering new markets through finely customized proposals targeting customers against a backdrop of high quality. Although the OA market saw an end to growth in mainstay products for compact devices, which had expanded with the spread of remote work, this area still trended positively

owing to strong sales of multi-function printers for offices against a backdrop of economic recovery.

Future Initiatives

We will work to increase the market share of mainstay products targeting the OA market through the development of high-end products intended to address a maturing market, as well as through active deployment of products made using proprietary technologies. On the other hand, along with establishing a bolstered production system for strong-selling semiconductor-related products, we will work to ensure adoption of and develop new customers for health and medical-related products, as well as for products for industrial equipment, through capital investments and other means.

Medical Materials Field

Results and Challenges

In fiscal 2022, sales of our mainstay bioabsorbable reinforcement felts were impacted by the decline in surgeries in Japan during the 7th and 8th waves of COVID-19. Similarly, sales in China also struggled due to that country's zero-COVID and other medical policies. Medical lasers also contested with stagnant sales due to the difficulty in securing devices as a result of global semiconductor shortages. In contrast, bone fixation devices experienced improvements in profitability and supply stability owing to progress in the shift from purchased goods to those made by the Company. On the organizational front, with the aim of creating a foundation for future business growth, we will organize Gunze Medical as a company dedicated to medical devices with a fully integrated system from research to production and sales, and will construct a system for expanding the clinical field and global sales. On a similar note, in fiscal 2023 we split off the medical materials field, which was included in the

functional solutions business, as the independent medical business in order to clearly define its roles as a Gunze growth business.

Future Initiatives

We will achieve sustained business growth by creating new corporate value through the provision of innovative medical devices centered on bioabsorbable products. Through organizational restructuring aimed at strengthening the business foundation, we will establish a system to increase production of absorbable reinforcement felt, bone fixation devices, artificial dermis, and other products, and will accelerate business expansion by strengthening sales in the United States and China and by continuously developing new products. With a target completion date of March 2025, we will enlarge and expand the floor area of the Ayabe Plant as our core factory, and introduce equipment to enhance the production scale and improve efficiency.

Apparel Business



Aiming to accelerate growth of direct to consumer (D-to-C) channels, promoting organizational restructuring and streamlining that addresses changes in the market, and working to enhance and accelerate strategy execution

Despite sales returning to a recovery track, in fiscal 2022 the apparel business recorded an operating loss of ¥0.2 billion against higher net sales of ¥60.9 billion. This loss was primarily due to the impact of historical depreciation in the yen and soaring raw material and energy prices. As part of our business structure reforms that we have undertaken with the sincere acknowledgement of these harsh results, we shifted the Company's organizational structure from a business division system to a functional division system in fiscal 2023. This move followed upon our sales organization integration in September 2022. Going forward, we will construct an MD, production, and sales system that reflects consumer needs, and establish competitive advantages through improved brand power leveraging the collective strengths of the apparel business.

Ryoji Kawanishi

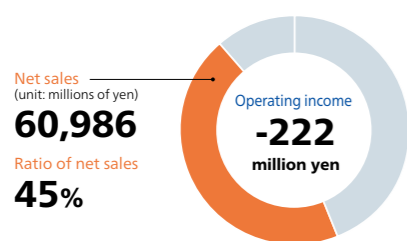
President, Apparel Company
Apparel Business Executive Officer
Director and Corporate Officer

Fiscal 2022 Business Strategies and Results

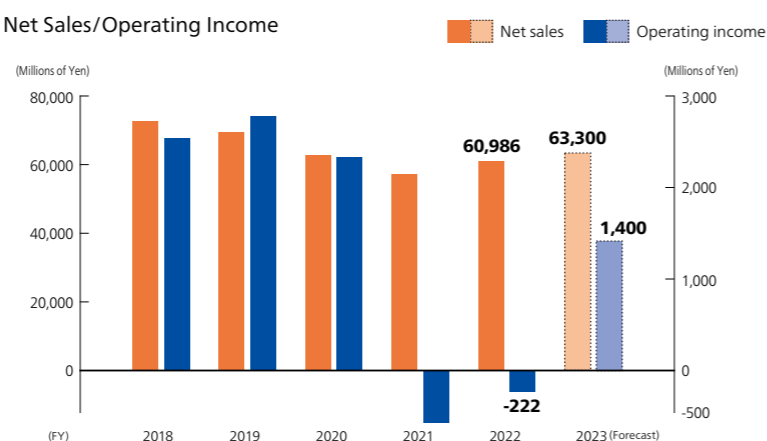
In addition to the market recovery coinciding with the normalization of social and economic activities, which had contracted due to the COVID-19 pandemic, strong performance in the e-commerce and SPA channels led to steadily expanding sales in each field. Profitability, however, deteriorated due to the yen's depreciation at the beginning of the year, as well as to economic fluctuations such as soaring cotton thread and energy prices. In response, we have continued to engage in efforts to recover profitability with a focus on price revisions since the 2022 fall season. In the innerwear field, molded boxer shorts, differentiated foundation, and other high

value-added products performed well. Meanwhile, as a structural reform initiative for the legwear field, we shut down our production base in China and reorganized the production framework into one with a single production base in Japan. This move was made based on our judgement that a major market recovery remained unlikely due to the rapid contraction in the stockings market. Moreover, in regard to the organizational restructuring of the sales divisions, we shifted from an industry-specific sales system to a cross-industry sales system in an effort to streamline operations.

Fiscal 2022 results



Net Sales/Operating Income



Challenges and Actions to Achieve the Basic Strategies of VISION 2030 stage1

Innerwear Field

Results and Challenges

In fiscal 2022, the overall apparel business saw a further expansion of sales through the D-to-C channels of e-commerce, which has grown in line with changes in consumer behavior, and directly managed stores. At the same time, this business advanced collaboration with other companies. As far as products in the innerwear field are concerned, we expanded wellness and health products and ethical products in response to consumer preferences focused on natural materials, casual-oriented trends, increasing health awareness, and higher environmental awareness. We also strengthened efforts to expand sales of women's innerwear such as Femtech products and the differentiated foundation lineup. Turning to mainstay brands, sales of molded 3D-Boxer shorts in the men's innerwear BODY WILD brand performed well through e-commerce channels. Similarly, YG saw higher sales of NextRa+, which is made from sustainable raw materials and modified cotton fabrics, alongside stronger sales for the in.T series and cutoffs®. Looking at women's innerwear, KIREILABO saw strong sales of innerwear with adhesive cups, heavy-weight fully-seamless innerwear, and Fitte made from organic cotton. Meanwhile, Tuché

saw strong sales for bras and 3D molded shorts, for which we enhanced product variation, through e-commerce channels.

Future Initiatives

Through organizational restructuring of the apparel business aimed at improving competitiveness based on our integrated corporate strengths, we will further expand sales through D-to-C channels, including e-commerce, which have been growing in line with changes in consumer behavior, and directly managed stores. Similarly, we will actively promote collaboration with other companies. At the same time, we will focus management resources on the lifestyle field, engage in efforts to attract new customers, and work to expand sales of women's innerwear through differentiated products. In terms of production, we will strengthen cost competitiveness through automation and the establishment of a globally optimized production system. At the same time, we will promote the net zero carbon factory plan (Yanase Plant: Asago City, Hyogo Prefecture) in stages. This plan consists of achieving virtually zero CO₂ emissions through the use of renewable energy and unmanned lines (in some cases) at our core production plants in Japan.

Legwear Field

Results and Challenges

In 2022, we strengthened market responsiveness based on changing consumer needs, aggressively launched new products in the leggings and bottoms categories, including health-related products, and promoted structural reform by reorganizing our production bases. Despite the prolonged continuation of harsh conditions for mainstay stockings and tights, all channels are recovering in line with the return to a normal flow of people. Moreover, as a growth item, bottoms-related product sales trended favorably due to increasing opportunities to wear these items in connection with changing lifestyles. In addition, we will take urgent action to improve profitability with a focus on significantly reducing fixed costs through efforts including revising prices starting in the 2023 spring season, reducing fixed costs, and consolidating production bases to domestic plants.

Future Initiatives

From a stockings' perspective, we will renew our mainstay SABRINA brand products while making price revisions in an effort to expand sales through a fresher product lineup. Moreover, we will engage in efforts to expand sales of bottoms and leggings through D-to-C channels, centered on e-commerce based on the introduction of specifically designed products, as a means of strengthening digital sales promotion. Similarly, we will work to expand the field of products in new categories. On the production front, we will work to achieve an appropriate inventory balance. Similarly, we will enhance market responsiveness by engaging in efforts to strengthen our ability to address product replacement and to innovate production sites through automation, for example, under a single domestic production base structure.

Threads & Accessories Field

Results and Challenges

In fiscal 2022, higher overseas sales made up for the impacts of COVID-19 in China and soaring raw material and fuel prices, leading to a strong performance. Amid the differences in market conditions faced by each country, we will actively strengthen operating activities to achieve a recovery from today's uncompromising environment.

Future Initiatives

In addition to our mainstay sewing materials for clothing,

we will work to expand sales for applications targeting industrial materials and automobiles, and will strengthen global deployment of recycled threads and other environmentally friendly materials. We will also expand sales to other departments within the Gunze Group. Moreover, we will continue to engage in sales price revisions in an effort to improve profitability. In terms of production, we will strengthen the stability of our production system using the supply capabilities possessed by the four production bases in Asia for the same products.

Lifestyle Creations Business

Pursuing the realization of a feeling of comfort within lifestyles through people- and earth-focused services

Results for fiscal 2022 trended positively due to the redevelopment of underutilized land, with net sales reaching ¥15.3 billion and operating income climbing to ¥0.7 billion. In the real estate development business, the main businesses are shopping center management and property management. In the sports club field, we operate 21 clubs in Japan and two clubs overseas. We are committed to providing essential services that complement social infrastructure as bases for local communities. The landscaping and greening business develops environmental businesses that create a sustainable society where people can live in safety and health by providing greenery. We will continue our efforts to respond to changes in the environment and strengthen profitability, while pursuing the realization of a feeling of comfort in people's lifestyles.

Makoto Kumada

Life Creations Business Executive Officer
President and Representative Director
Gunze Development Co., Ltd.
Director and Managing Corporate Officer

Fiscal 2022 Business Strategies and Results

In the real estate business, we have improved the profitability of commercial facilities and strengthened property-specific management with an emphasis on investment efficiency. In the sports club business, we have worked to strengthen our response to the post-COVID era, as well as to expand membership and the school business in accordance with regional and store characteristics.

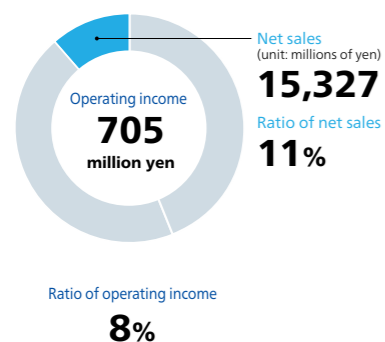
In the landscaping and greening business, we actively engaged in the environmental business to reduce CO₂ emissions. Both the shopping center and the sports club businesses have returned to a recovery track following the lifting of pandemic restrictions on activities.

Challenges and Actions to Achieve the Basic Strategies of VISION 2030 stage1

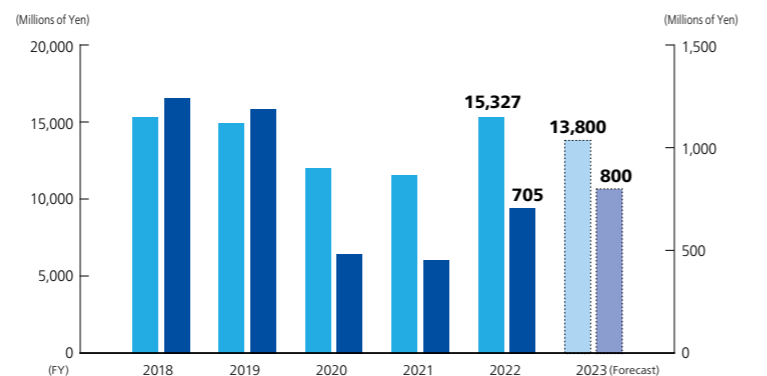
We will renovate commercial facilities in order to enhance the level of their appeal, and strengthen priority management through careful examination of investment efficiency. In the landscaping and greening business, we will actively work to capture demand for greening moving toward Expo

2025 Osaka Kansai and to increase the amount of CO₂ fixed by plants. In the sports club business, along with expanding the school business, we will grow sales and profits by providing services tailored to regional and store characteristics, as well as by developing new types of businesses.

Fiscal 2022 results



Net Sales/Operating Income



Progress of Materiality under VISION 2030 stage1

Materiality	KPIs (Fiscal 2024 Targets)	Current Progress (Figures are Fiscal 2022 Results)	Pending Issues
Creation of New Value	New business-related • Commercialization of functional films such as films for next-generation lithium-ion batteries	• Completion of the initial design of resin current collector films • Implementation of R&D for the commercialization of functional films	• Provision of mass production support tailored to each customer's business situation • Expansion and examination of R&D targets with a view to expanding fields/domains
	Development of environmentally friendly products Value creation from resource circulating-type films • Expand sales of biomass plastic products • Expand sales of low-density polyolefin products • Development of films to reduce food waste	• Development and market launch of biomass plastic film products, low-density polyolefin products, and environment-friendly shrink films that employ recycled raw materials • Development and market launch of a thin coextruded blown film for the vacuum packaging of frozen foods to reduce food waste; expansion of use	• Expansion of the use of environmentally responsible products; establishment of technologies for resource recycling, and; the creation of a mechanism for supply chain collaboration. • Upgrade and expansion coupled with increased use of films that help reduce food waste
	Net sales of medical-related products • Sales of new medical products	• Transformation to an organizational structure dedicated to comprehensive medical devices from R&D to sales (April 2023) • Proactive market launch and sales expansion of new products, including adhesion barrier materials	• Acceleration of the speed of new product development that reflects the needs of the clinical site • Strengthening of selection and concentration through portfolio strategies by medical field as well as exploration of the potential of mergers and acquisitions
	Net sales of wellness and health category products • Lifestyle-oriented products • Health category products	• Strengthening of the Company's ability to respond to changes in consumer behavior and lifestyles by integrating the sales and merchandise planning department in the apparel business as a whole (April 2023)	• Acquisition of new customers by rebuilding the MD strategy and proposing products that maximize customer lifetime value
Evolution of Corporate Constitution	D&I promotion (Promotion of women's empowerment, etc.) • Ratio of women in managerial roles: 6% or higher • Ratio of female employees in the workforce: 35% • Paternity leave utilization rate: 50%	• Ratio of women in managerial roles: 5.1% • Ratio of female employees in the workforce: 34% • Paternity leave utilization rate: 36%	• Maintenance of a 50% ratio of women hired • Increase in the ratio of career hires • Enhancement of leader skills training program and expansion of childcare support systems • Increase in the paternity leave utilization rate
	Initiatives for Respecting Human Rights • Conduct human rights due diligence on the Company and its major business partners	• Conduct of in-house assessments (identification of the actual status of foreign technical interns) (domestic plants: six companies) • Conduct of supplier assessments: 94 companies • Implementation of improvement measures based in assessment analysis results • Conduct of follow-up investigations and discussions of future actions	• Promotion of training and other programs for suppliers (Expansion of coverage to overseas suppliers)
	Strengthening of risk response capabilities • Holding of Risk Management Committee meetings: Four times	• Holding of Risk Management Committee meetings: Four times	• Strengthening of the operations of whistleblower systems
	Building of personnel system, improvement of working environments • Improvement of engagement score: 70 points (estimate) • Annual leave utilization rate: 75% • Productivity improvement through mindset, duty, and office transformations • Streamlining of business processes by utilizing online meetings	• Engagement score: 62 points • Annual leave utilization rate: 70.1% • Office reform: Completion of a new office building at the Konan Plant (Aichi Prefecture), new construction of the Dojima office (Osaka City) • Online meetings: Usage time 119,181 hours	• Continued implementation of 1-on-1 meetings • Increase in the annual leave utilization rate through improvements in operating efficiency such as DX and work style reform • Thorough management of working hours and reduction of long working hours • Establishment and expansion of various systems (telework, flexible work hours, etc.) to enable employees with diverse backgrounds to choose the work style that suits them best
Improvement of productivity in all areas, including production, by utilization of AI, IoT, sensing technologies, etc. • Productivity improvement rate (P value) *: 103% * Gunze's own productivity metric over the previous year	• Productivity improvement rate (P value): Domestic 102.7%, Overseas 100.3%	• Expansion of labor-saving and unmanned lines, and horizontal deployment to each plant	
Environmentally Responsible Management	CO₂ emissions reduction rate • Reduction vs. FY2013 Scope 1 + 2* (Domestic + overseas): 28% or higher * Gunze Group total • Starting Scope 3 calculation, setting targets by FY2024 • Per-unit energy consumption reduction rate (vs. previous year): 1% per year or higher • Construction of Circular Factory: Plastic film, Moriyama Plant (Shiga Prefecture) • Construction of Net Zero Carbon Factory: Apparel, Yanase Plant (Hyogo Prefecture)	• Scope1+Scope2: 118,324t Reduction of 26% or higher (vs. FY2013) • Scope3: 423,860t • FY2022 per-unit energy consumption reduction rate: 0.7% reduction vs. the previous year (domestic) • Completion of the new plastic film Moriyama Plant • Consideration of net zero factory automated line • Construction completion of a ZEB office building at the Konan Plant	• Scope1+Scope2: Reduction of 28% or higher (FY2024) Sustained energy conservation activities and expansion of the renewable energy ratio • Scope3 target setting (FY2024) • Continued FY2022 per-unit energy consumption reduction rate: 1% per year or higher • Establishment of a recycling center at the plastic film Moriyama Plant and ZEB office building • Promotion of smart plants (unmanned lines)
	Focused investment of management resources in growth businesses and growth areas • Environment-related investment: 8.6 billion yen • Acquisition of new targets by expanding channels EC+SPA sales ratio: 24% • Business expansion through business alliances and M&A	• Environment-related investment: ¥3.4 billion (circular factory: ¥2.9 billion, Konan Plant ¥0.5 billion) • EC+SPA sales ratio: 22%	• Promotion of construction plans for a recycling center • Increase in the EC+SPA sales ratio • Cultivation of loyal customers through a proprietary CRM program • New store openings in commercial facilities with considerable ability to attract customers
Capital Cost-focused Management	Restructuring of low-growth businesses and fields • ROE 6.3% or higher • GVA -¥2.3 billion (improvement of ¥0.3 billion vs. the previous year) • Familiarization through the development of all GVA Tree businesses • Dissemination of information to all employees, including overseas employees, using the intranet (eight times) • Transfer of the film business in the electronic components field and termination of production at the Chinese plant in the legwear field	• ROE: 3.9% • GVA -¥2.3 billion (improvement of ¥0.3 billion vs. the previous year) • Familiarization through the development of all GVA Tree businesses • Dissemination of information to all employees, including overseas employees, using the intranet (eight times) • Transfer of the film business in the electronic components field and termination of production at the Chinese plant in the legwear field	• ROE: 6.3% or higher (FY2024) • Positive Company-Wide GVA (FY2024) • Continuous structural reform initiatives

▶ For details: P. 34~ → Financial Capital Strategy

Human Resources Strategies



Makoto Ogura
Corporate Officer
General Manager, Personnel &
General Affairs Department

The social environment has changed dramatically in recent years, and in this era of uncertainty, the so-called volatility, uncertainty, complexity, and ambiguity (VUCA) era, work styles and individual values are diversifying. In order to keep up with the pace of change, individuals and organizations will need to be autonomous, and the relationship between companies and their employees is expected to change. Employees must proactively contribute to companies by developing their careers on their own based on their expertise and strengths. On the other hand, companies must create growth opportunities for employees and do their utmost to support employee efforts to develop a future career vision. This indicates that a major shift in

values is taking place as the role of managers pivots from management to growth support. Since fiscal 2023, the Gunze Group has established a new system that allows employees to further realize their aspirations regarding career design, and the Group is working to invigorate personnel exchanges through strategic rotations that place the right person in the right job. Especially for younger employees, we intend to establish a system that enables them to design their own careers in order to foster a dynamic organization. At the same time, we will work to motivate mature employees, who make up half of the staff. We expect mature employees who have supported the Company for a long time to continue contributing further to the business. At the same time, we believe it is necessary to support mature employees in building their own second careers with the era of 100-year lifespans in mind. In addition, we will standardize activities to systematically pass on skills to younger employees—an important mission for mature employees—and to blend together skills and know-how. It is said that a company's growth is the sum of its employee motivation. We will promote the passing on of skills from mature to younger employees while also aiming to get younger employees up to speed quickly. In so doing, we will improve motivation and engagement among all generations in order to maximize the Gunze Group's human capital and, in turn, enable sustainable corporate development.

Human resources are our greatest management resource. We are fostering a corporate culture in which all employees can fully demonstrate their abilities with a sense of job satisfaction, which is the cornerstone of corporate competitiveness, to become a healthy and visionary company.

The Gunze Group has formulated a management strategy under the key phrase "Transform and Challenge" to realize a sustainable society in its Medium-term Management Plan VISION 2030 stage1. Promoting the evolution of our corporate constitution as part of our human resources strategy, we have established a basic concept of our human resources strategies based on the above that is linked to this evolution. We will promote the creation of an organizational climate in which diverse human resources can play an active role, with the aim of

enhancing the growth and motivation of all employees. In particular, we set KPIs for the ratio of women in managerial roles from the perspective of promoting women's active participation, for men's paternity leave utilization rate from the perspective of providing child-rearing support, for the annual leave uptake rate from the perspective of reforming work styles, and for the engagement score from the perspective of reforming corporate culture. We generally performed well in each category in fiscal 2022.

Materiality, KPIs (Fiscal 2024 Targets)

		KPIs Fiscal 2024 Targets	Fiscal 2022		
			Targets	Results	
Evolution of Our Corporate Constitution	Promoting women's active participation	Ratio of women in managerial roles	Over 6%	4.0%	5.1%
	Providing child-rearing support	Men's paternity leave utilization rate	50%	30.0%	36.0%
	Corporate culture reform	Engagement score	70 points (estimate)	64 points (estimate)	62 points
	Work-style reform	Annual leave uptake	75% (15 days)	14.0 days	70.1% (14.1 days)

Human Resources Management Policy

Based on our human capital strategy aimed at maximizing human capital, we define the type of human resources we seek as those who can accept different values, think and act on their own initiative, and provide value in their areas of expertise. We will employ a diverse workforce mainly in terms of gender, nationality, age, and values, provide opportunities for education and training that support

independent career development, and give employees a chance to play an active role through placement strategies that drive individual autonomy and organizational growth. All of this will ultimately lead to sustainable company growth. Furthermore, we have formulated a human resources management policy that concentrates on the three pillars: diversity, autonomy, and success.

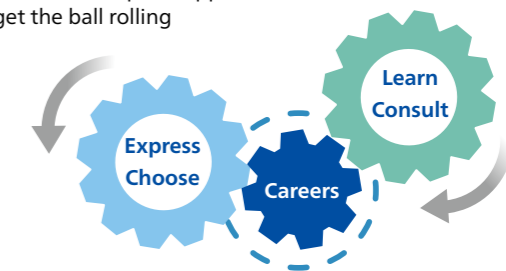


Promote Human Resources and Independent Career Development

In order to foster a corporate culture that encourages independent career development, we believe it is essential to create opportunities for individuals to learn and consult about career options to find their own direction and to express and choose their own career path. In fiscal 2022, beyond existing level and career training, we expanded our support by providing opportunities for employees to think independently about their careers through such measures as establishing a new voluntary women's career workshop program, expanded career design training, ongoing 1-on-1 meetings, and promotion of recurrent education. Starting in fiscal 2023, we established an HRS Committee (for sharing human capital

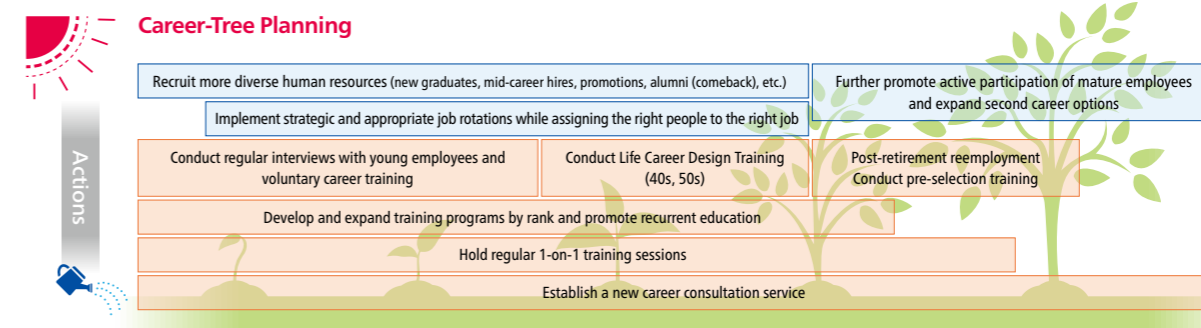
information) to promote the strategic allocation of the right resources in the right places based on independent career development aimed at improving employee engagement and maximizing human capital.

Create and expand opportunities to get the ball rolling



Carrier expectations in each age group and problem-solving approaches

	20s	30s	40s	50s	60s
Expectation	Able to follow a path from my current position and choose my career trajectory	Established one's own career direction within the organization	Consider the direction of one's late-career and move into action	Independently choose and build a promising second career	



Education and Training Systems

	Stratified training			Other general education		Self-education	
	Young employees	Next generation leader training	Management executive development	Skills basics	Career development		
Corporate officers			Management executive training		Coaching training	Distance learning, E-learning	Support system for qualification, language acquisition
Managers		Leadership School II	Leadership School III				
Mid-career employees		New manager training					
Young employees	Leadership School B	Leadership School I		Experimental design IE basic training QC basic training Other	Training for younger training staff	Career design training	
3rd year of employment	Follow-up training at the end of 3rd year of employment						
2nd year of employment	Follow-up training at the end of 2nd year of employment						
New employee	New employee training						

Established Career Support Desk (from May 2023)
 As we enter the era of 100-year lifespans, employees must design their own careers, determine their life goals and career vision (life career), and work toward them in order to achieve independent career development. In order to actively support these actions, we have recently established a Career Support Desk, through which the Company helps employees deal with the various issues that arise in their duties together so that they do not have look for solutions alone.

Diversity & Inclusion (D&I)

The Gunze Group regards diversity and inclusion as one of its most important human resources strategies. We aim to enable all employees, regardless of their attributes and values, to fully demonstrate their abilities while feeling motivated in their duties. Further promoting women’s active participation is essential for realizing this aim, and we have defined the ideal state of women’s active participation as: all employees, regardless of gender or life stage, are able to fully demonstrate their abilities while enjoying a good work-life balance and feeling fulfilled in their work. In order to achieve a state in which a certain percentage of decision makers in each organization are women, we are actively working to enhance the number of women in career-track positions, which is a prerequisite for such a state. Specifically, we are promoting measures such as the continued implementation of a 50% female employment ratio (excluding those working rotating shifts), promotion of retention through career support that encourages autonomous growth, enhancement of training programs for promoting leadership positions, and expansion of childcare support systems. In terms of promoting women’s active participation along with work style diversity, we will also work to increase men’s paternity leave utilization rate.

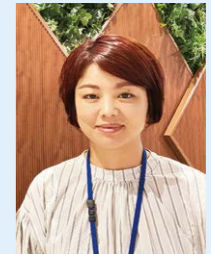
Policy for Improving Internal Conditions

In improving our internal environment, we place the utmost importance on a people-oriented approach, one of our management philosophies. To create an environment in which employees can work safely, healthily, and to the best of their abilities, we continue to improve operations through DX, thoroughly manage working hours, reduce long working hours, and develop and expand various systems (telecommuting, flexible work hours, etc.) to enable employees from diverse backgrounds to choose the work style that suits them best. The activities of the Work Style Reform Committee include various initiatives based on the four pillars: raising employee awareness, developing business infrastructure, reforming operations, and engaging in office reform. The relocation of the Tokyo branch office in February 2022 was an opportunity to realize office reform by promoting the shift to a free address system. We are laterally deploying this know-how in the Osaka area, taking the same approach at the Dojima Office, which opened in August 2022. In addition, we are promoting the improvement of the annual paid leave utilization rate with the aim of allocating the work time saved by improving operational efficiency to time that employees can spend freely. In consideration of human rights, we are actively working to create a corporate culture of no harassment, no inducement, and no neglect by continuing to conduct surveys to ascertain the actual situation and provide training based on the results as part of our efforts to prevent harassment in the workplace.

Feedback from Training Participants and Men’s Paternity Leave Users

Leadership Training: Corporate Contributions for Women’s Active Participation

I am a mid-level employee in the Company (which has a low percentage of women) who took leadership training in fiscal 2022. The course gave me a clearer understanding of myself, and I am currently going to school to obtain a certification for my future career development. Understanding my own characteristics, I have a better idea of what I need to learn and what I have to do to become a sought-after leader. I have also become more mindful about looking for causes and more efficient ways to solve operational problems, enabling me to find clues to solutions more quickly and clearly than before. In past training sessions I have attended, the participants were mainly those who were hired at the same time and doing similar work as myself. This time, however, I think we received training from the same perspective and mindset owing to the participation of women from the generation who will be tasked with leading Gunze in the future. I am grateful that this training has expanded my network of women in the Company, and I have made connections with people who work under similar conditions (childcare, flexible work hours, nursing care) and people in other workplaces, as well as making friends who can empathize with each other on various issues. This training was an opportunity for me to update my own career and to try new challenges. Looking ahead, I hope to contribute to the Company in any way I can by utilizing the contents of this training program to help younger employees and colleagues change their working styles and develop their careers so that they will be motivated to keep working, whether they are men or women.



Masayo Suzuki
 Sales, Department Store Apparel Company

Life, Career Training Promotes Human Resources and Independent Career Development

I took the life and career design training course (at age 50) at a time when I was wondering about my future in this so-called era of 100-year lifespans. During this training, participants looked back on their careers so far, reexamined their values, organized their roles in life, and learned the concept of clarifying their desired vision for the future. Through this, I designed an autonomous way of living and working, giving me the opportunity to prepare and take action to realize my personal goals in my own way and with a positive attitude. After the training, I got in touch with a senior certified career consultant to determine my future direction and to set milestones toward taking the next step. I want to help others grow by sharing my knowledge and skills with them, giving advice, and sharing opinions. With this in mind, I began studying to acquire qualifications, using senior employees who had helped me as role models. I also had a 1-on-1 meeting with my supervisor to discuss my future career aspirations and reskilling (relearning) situation. This preparation and actions coincidentally coincided with my transfer to the Human Development. Currently serving on the Education Team, I am working to support the independent career development of our employees through various training programs and career counseling. I intend to continue developing my own career by thinking independently about it and striving for self-improvement, while reexamining how I live and work from time to time.



Mitsunori Fujita
 Human Resources Development Office Personnel & General Affairs Department

Work Style Reforms: Men’s Paternity Leave

I took paternity leave to reduce my wife’s daily burden as much as possible and to create an atmosphere where it would be easy to take paternity leave where I work at the Konan Plant. Since there was no precedent for this in my department, about six months prior to when I wanted to take the leave, I spoke to my colleagues about how to cope with my absence. I then took paternity leave for a little less than a month, starting three weeks after my wife’s expected delivery date. After taking paternity leave, I became more aware than ever of completing my work more efficiently and on time. In addition, we are putting more effort into training our members so that the workplace can function without problems even when key personnel are absent. Taking paternity leave gave me enough time to learn about childcare. My wife said it was reassuring to have me with her during this difficult time caring for our first child and helping her throughout my paternal leave made her feel comfortable with taking care of the baby thereafter. I am still able to reduce my wife’s workload and perform my duties with a greater awareness of the balance between work and childcare.



Takeshi Shibata
 Engineering Plastics Division Konan Plant

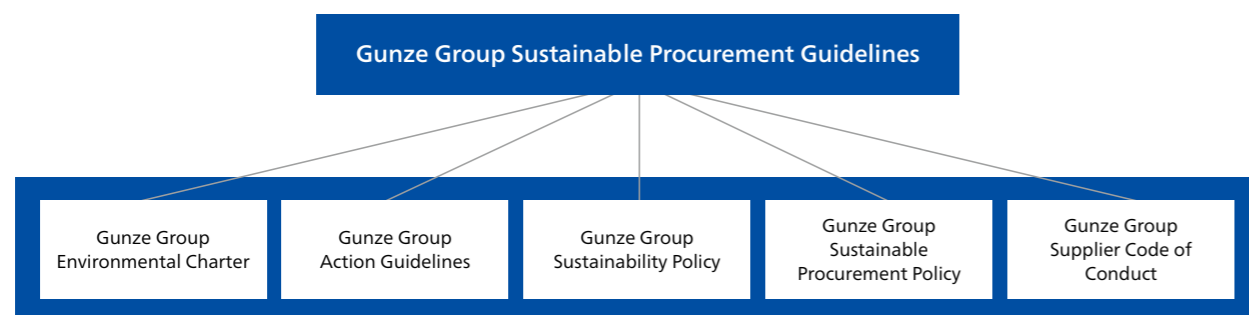
Supplier Initiatives

Sustainable Procurement and Promotion Structure

In recent years, the environment surrounding companies has changed dramatically in the context of globalization, and stakeholder interest in sustainability has risen to unprecedented levels.

Realizing a sustainable society will require companies to look beyond their own efforts, and to also take action throughout their supply chains. We recognize the need to present suppliers with a more concrete approach to sustainability in the supply chain in light of recent rapid environmental changes, and have established the Gunze

Group Sustainable Procurement Guidelines (2021) to further promote understanding and cooperation with the Gunze Group's sustainable procurement activities. These guidelines are disseminated to all Gunze Group business divisions and their members via the Sustainability Committee. Together with this, suppliers are requested to understand the purpose of the guidelines, comply with each item of the Supplier Code of Conduct, and practice the necessary actions and activities to achieve the purpose of the guidelines. We are also asking for the spread and penetration of the guidelines to those in the supply chain further upstream.



Human Rights

Gunze Group's Human Rights Policy

With a corporate name that expresses our intent of protecting local communities as our basic policy, Gunze's founding philosophy takes a people-oriented approach. Over our 127 years of history, we have therefore valued the rights of employees and all other related parties. In order to clarify our stance on this respect for human rights while taking into account international norms, we formulated and announced the GUNZE'S HUMAN RIGHTS POLICY in June 2022.

GUNZE'S HUMAN RIGHTS POLICY
<https://www.gunze.co.jp/english/sustainability/management/humanrights>

Conducting Human Rights Due Diligence Initiatives implemented up to April 2023 are as follows.

1. In-house Assessments

In the apparel business, one of our main businesses, we conducted a survey of six factories in Japan that accept foreign technical interns. With media reports and other sources suggesting that trainees are prone to human rights risks, we undertook this initiative as a priority issue to understand the actual situation of foreign technical interns.

Method

Interviews were conducted with regard to appropriate working hours, wages, living environment, and occupational health and safety at work sites, based on the items

to be checked as exemplified in a separate volume of the "Guidelines for Responsible Corporate Conduct in the Textile Industry"^{*1} issued by the Japan Textile Federation (JTF).

Assessment results and future actions

Although no major human rights risks were identified, we discovered issues that need to be improved, such as the necessity to establish a Vietnamese language consultation service. In the future, we will promote measures to address this issue and develop a system to conduct periodic assessments by including a survey of the actual conditions of foreign technical interns in internal audit items.

2. Supplier Assessments

We ask that suppliers understand the Gunze Group Sustainable Procurement Guidelines, which include the perspective of the Gunze Group's respect for human rights. In addition, from December 2022 to April 2023, we conducted assessments of all business divisions, with priority given to key suppliers of the following business divisions.

Business area	No. of relevant suppliers	Response rate
Apparel Business	75 companies	72%
Medical Materials Business	5 companies	100%
Plastic Films Business	14 companies	100%

Method

We had suppliers conduct a self-assessment based on the Global Compact Network Japan's Self-Assessment Questionnaire^{*2} for CSR procurement in order to confirm the status of their initiatives for human rights considerations, environmental conservation as well as quality and safety.

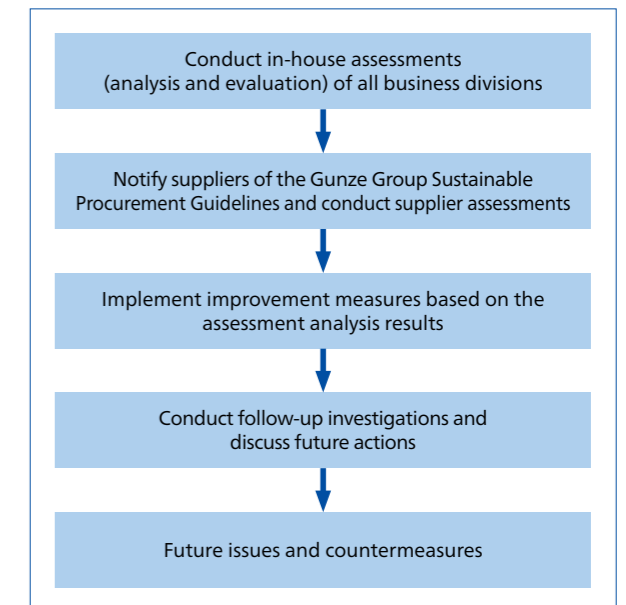
Assessment results and future actions

No critical human rights issues were identified in the scope of this submission. We are considering future efforts such as offering training programs for suppliers to gain their understanding and cooperation in our human rights initiatives. We also plan to expand the scope of assessment to include overseas suppliers. We will continue our efforts to prevent and address issues through such measures as strengthening the operation of our whistleblower systems.

^{*1} Guidelines for Responsible Corporate Conduct in Textile Industry: Guidelines for promoting corporate activities that respect international human rights, formulated by the Japan Textile Federation in cooperation with the International Labour Organization (ILO) Office in Japan.

^{*2} Self-Assessment Questionnaire for CSR procurement: Questionnaire developed by the Global Compact Network Japan to assess degree of understanding of CSR requirements.

Human Rights Due Diligence^{*3} Implementation Flow



^{*3} A process for identifying negative impacts on and risks for human rights, analyzing and evaluating risks, and formulating and implementing appropriate measures

Value Co-creation with Multiple Stakeholders



* Medium-term Management Plan VISION 2030 stage1 KPI

Environmentally Responsible Management

The Gunze Group is advancing efforts to reduce environmental load through its business activities. In the plastics films field, we are aiming to strengthen activities for resource recycling—including the reduction of waste plastic, conversion to environmentally friendly and recyclable raw materials, and the development of recycled products that transcend the boundaries of our business divisions—as we transform into a circular manufacturer.

Activities to Reduce Environmental Load

Basic Approach

Gunze is working to balance both social and economic value by strengthening initiatives aimed at reducing environmental load with a focus on three major promotional items, namely, responding to climate change, realizing a resource-recycling society, and promoting sustainable procurement. In responding to climate change, we will endeavor to save energy, create energy, and use renewable energy with the goal of reducing total CO₂ emissions in Scope 1 and Scope 2 by at least 35% (compared to the 2013 benchmark) by 2030. Moreover, we will promote environmentally responsible business operations by further considering the use of energy innovations. As a part of efforts to realize a resource-recycling society, we will

reinforce efforts to recycle waste at all domestic business sites, spearheaded by the MoriYama Circular Factory™, in order to reduce waste throughout the Group. Finally, from a sustainable procurement perspective, we will promote the use of recycled, raw biomass, and other environmentally friendly materials, enhance relationships with suppliers, and work to reduce CO₂ emissions from raw materials. Through these resource recycling and sustainable procurement initiatives, the Gunze Group will take positive steps toward upgrading and expanding its lineup of environmentally responsible products while reducing Scope 3 emissions.

The Gunze Group's Environmental Technologies and Initiatives

(1) Responding to climate change (saving energy, creating energy, and using renewable energy)

- Reducing energy loss through the introduction of energy management systems (EMS)
- Improving the efficiency of boilers, air conditioners, and other utility equipment
- Saving energy through new buildings with airtight and thermal insulation (acquire ZEB and CASBEE certification)
- Systematically installing solar power generation systems
- Shifting to low CO₂ emission fuels (from heavy oil to LPG and electrification)



New ZEB certified office (Konan Plant)



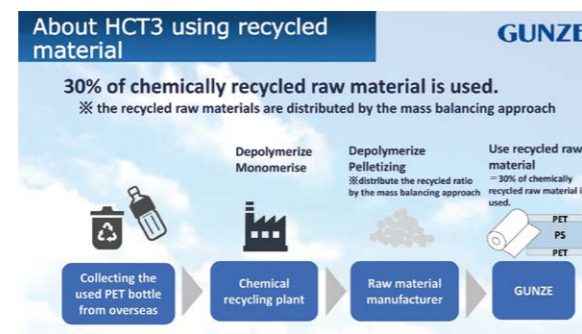
Electric chiller (Ayabe Engineering Plastics Co., Ltd.)

(3) Promoting sustainable procurement

We will actively work to upgrade and expand environmentally responsible products, with the aim of increasing the use of such sustainable raw materials as recycled polyester, organic cotton, and bio-mass for packaging.



Threads and accessories
Sewing thread made of 100% recycled polyester



Plastic Film Company Hybrid shrinkable film with a recycled material ratio of 30%

Initiatives to Enhance Corporate Value through Green Finance

Developing a Green Finance Framework

The Gunze Group put in place a green finance framework in fiscal 2022 with the support of Nomura Securities Co., Ltd., the Group's structuring agent. Based on the Green Bond Loan Principles/Guidelines, Gunze's green finance framework outlines the Group's policies toward funds earmarked specifically for projects designed to improve the environment. These policies encompass details of (1) the use of funds, (2) the project evaluation and selection process, (3) management of the funds procured, and (4)

reporting.

In recognition of the framework's compliance with the subject principles and guidelines, Gunze received the highest Green1 (F) rating from Japan Credit Rating Agency, Ltd. (JCR). Representing Japan's first overall resource-recycling initiatives at the time this rating was received, funds procured were allocated to the Circular Factory Project*¹ that circulates plastic resources at the Plastic Film Company's MoriYama Plant.

Executing Green Loans

Utilizing the aforementioned framework, Gunze procured funds through a syndicated, term green loan from MUFG Bank, Ltd. in September 2022. The funds were allocated on a progressive basis up to April 2023 and used for the construction of the Group's circular factory CASBEE*² A-ranked building, the installation of a new production line, and the construction of the Engineering Plastics Division's Konan Plant office, which received the BELS*³

5-star and ZEB*⁴ certifications.

As a procurement initiative (loan) that helps improve the environment while fulfilling the requirements of the carbon dioxide emission control subsidy (initiative to support the development of a system to promote green bonds, etc.), this project received a grant from the Green Finance Promotion Corporation, which was selected by Japan's Ministry of the Environment.

Future Policies

The framework developed in this instance, covers all of the Gunze Group's environment-related investments and enables the execution of green bonds and green loans under the framework to finance the subject investments. Moreover, we believe that the cost advantage of sustainable finance compared with conventional financing methods will improve in the future owing to growing social awareness toward sustainability and changes in the financing environment resulting from revisions to the Bank of Japan's policies.

The Gunze Group will proactively undertake the procurement of funds utilizing this framework to ensure both social and economic benefits.

*1 Circular Factory Project: A factory project designed to realize resources recycling without generating waste in the plastic films field by developing products suitable for recycling, establishing technologies for recycling, and reusing waste plastics.

*2 CASBEE: Comprehensive Assessment System for Building Environment Efficiency. A five-level rating system that comprehensively evaluates building quality, encompassing such environmental considerations as energy conservation, the use of materials and equipment with low environmental impact, as well as indoor comfort and landscaping.

*3 BELS: Building-Housing Energy-efficiency Labeling System. Established by Japan's Ministry of Land, Infrastructure, Transport and Tourism based on the Guidelines for Displaying Energy-Saving Performance of Buildings, this system objectively evaluates and ranks energy-saving performance by the number of stars from one to five.

*4 ZEB: Net Zero Energy Building. A building that aims to achieve a comfortable indoor environment while creating energy from renewable energy sources, and reducing the balance of primary energy consumed by the building to zero through energy conservation using a structure with improved heat insulation and sensors, etc.

Nature Preservation Social Contribution Activities

Gunze concluded the Agreement on Forest Use and Conservation with the Kyoto Model Forest Association and has been conducting volunteer activities for satoyama conservation in the concluded area in Ayabe, the city where the Company was founded, as part of the Kyoto Model Forest Movement in Ayabe about four times a year since July 2010. The model forest initiative encompasses the practice of sustainable community development proposed by Canada at the World Earth Summit in 1992. The goal is to develop and conserve forests that provide multifaceted functions, including the production of timber, prevention of global warming, prevention of sediment runoff and collapse, recharge of water sources, formation of good landscapes, improvement of health, and biodiversity. The initiative resumed in fiscal 2022 after a hiatus owing to the COVID-19 pandemic. This model forest activity has been conducted a total of 42 times since its start in 2010 and attracted an aggregate total of 1,237 participants.

Activities since 2018 include the construction of an observatory and the planting of mountain cherry trees as well as maple trees in the Obata district of Ayabe City as part of the Obata Castle Restoration Project. Most recently, we have been working with the Obata Castle Preservation Association, NPO Satoyama Net Ayabe, Kyoto Prefectural College of Forestry, Kyoto Prefectural Nakatan Regional Promotion Bureau, and the Ayabe City Department of Agriculture, Forestry, Commerce and Industry to establish a native azalea colony.



Kyoto Model Forest Campaign in Ayabe (Fiscal 2022)

Addressing Climate Change-related Risks and Opportunities

We established the Sustainability Committee, which is chaired by the director or the executive officer in charge of sustainability and includes members who are responsible for head office and business divisions. The Sustainability Committee is an organization that reviews and deliberates on basic policies related to sustainability.

In addition, the committee is chaired by the director or executive officer in charge of compliance, with the aim of developing a system to prevent and manage risks that may occur in the Gunze Group and to promptly respond to any risks that do occur. We established the Risk Management Committee, whose members include the heads of key head office divisions, to address risks and opportunities posed by climate change.

Governance Structure for Sustainability Promotion



Roles of Committees and Organizations in Sustainability Promotion

Committees and Organizations	Roles
Board of Directors	Monitors the progress of measures to address sustainability issues, including issues pertaining to the environment, particularly climate change, as well as human capital and other topics as discussed and decided during business execution
Executive Committee	Discusses and makes decisions on important business administration and execution matters related to Group-wide sustainability, such as environmental issues centered on climate change, as well as human capital and other topics
Sustainability Committee (As a general rule convened once per quarter)	Discusses and makes decisions on basic and response policies as pertains to sustainability
Risk Management Committee (As a general rule convened once per quarter)	Discusses occurrence of risk events related to sustainability, measures taken or to be taken, and risk prevention
Main Departments in Charge	Promote initiatives to address sustainability issues and identify risks and opportunities (Environmental Impact Strategy Promotion Office, environmental issues with a focus on climate change; Personnel & General Affairs Department: human capital of the Gunze Group, etc.)

Climate Change Initiatives and Efforts to Address the TCFD

In October 2021, the Gunze Group expressed support for the recommendations put forward by the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD). TCFD requires disclosure of the frameworks for examining climate change, indicators, and targets for evaluating the medium- and long-term impact of climate change on corporate value and for identifying risks and opportunities from climate change, and the way in which these examinations are reflected in corporate management.

- (1) Governance** Governance on climate change is incorporated into the sustainability governance structure.
- (2) Risk management** Major risks related to climate change are based on the Sustainability Governance Structure Chart. Important issues are reported from the Sustainability Committee and Risk Management Committee to the Corporate Officers' Meeting and then to the Board of Directors, thereby integrating and managing Group-wide risks.
- (3) Strategy** We selected the plastic films field and apparel business (innerwear) as the Gunze Group's main businesses for scenario analysis, and we identified short- to long-term risks, studied countermeasures, and for these, extracted considerations and opportunities.



This time, we conducted analysis in response to the 1.5°C target since this has become the global target. Specifically, we have formulated two scenarios that reference reports issued by governments and international organizations. These include the decarbonization scenarios (1.5°C scenario) such as the NZE2050¹ presented in the IEA World Energy Outlook and the warming progression scenarios (4°C scenario) based on the IPCC AR5 RCP8.5 scenario². The two scenarios are analyzed based on transition risks toward a decarbonized economy and physical risks associated with the progression of global warming. The Gunze Group will continue to revise its scenario analysis to improve its strategies.

¹ NZE2050 (Net Zero Emissions by 2050): One of the scenarios presented in the IEA's World Energy Outlook 2020. It is a 1.5°C scenario that surpasses the target of the Paris Agreement and aims for zero CO₂ emissions by 2050.
² RCP8.5 Scenario: A scenario in Figure SPM6 of the summary for government policymakers of Synthesis Report (SYR) of the IPCC Fifth Assessment Report (AR5), which forecasts a temperature increase of 2.6°C to 4.8°C by 2100.

Responding to Climate Change related Risks and Opportunities

Risk items	Risks	Period	Degree of financial impact	Plastic films field	Innerwear field	Responding to Risks and Opportunities	
Transition risk (1.5°C)	Coal prices	Emissions trading and carbon taxes introduced in many countries, increasing operating costs	Medium to long term	Large	○	○	Risk response: Reduce the financial impact of carbon taxes by increasing investment in renewable energy and shifting to low-carbon energy sources
	Plastics regulations in various countries	Raw material prices increased due to stricter regulations prompting the introduction of bio-materials and recycled materials	Medium to long term	Large	○	○	Risk response: Establish technologies that break down and reuse waste plastic and provide products that meet customer needs
	Changes in energy mix (electricity prices)	Higher ratio of renewable energy to electric power has driven up electricity prices	Medium to long term	Small	○	○	Risk response: Use of equipment with low power consumption; promote the installation of self-consumption solar power generation
	EV and renewable energy penetration rates	—	Medium to long term	Large	○	○	Opportunities: Strengthen sales of lithium-ion batteries and semiconductor film with the spread of EVs
	Price shifts in key commodities	Manufacturing costs for crude oil-derived synthetic fibers has increased	Medium to long term	Large	○	○	Risk response: Promote a shift from petroleum-derived to green materials.
Physical risks (4°C)	Changes in customer behavior	More consumers are making purchasing decisions in line with their environmental impact	Medium to long term	Medium	○	○	Risk response: Increase sales of environmentally responsible products for ethical consumption
	Abnormal weather	Lower sales due to business activity suspensions and supply chain disruptions caused by wind and flood damage	Short to medium term	Medium	○	○	Risk response: Enhance supply chain disaster prevention at manufacturing sites and in logistics to strengthen business continuity capabilities
	Rising temperatures (volume of cotton cultivation)	Cotton prices up due to rising temperatures	Medium to long term	Medium	○	○	Risk response: Develop biomaterials and recycled materials
	Rising temperatures	—	Medium to long term	Medium	○	○	Opportunity: Products that address rising temperatures. Strengthened sales (shrink films, innerwear)

* Time period: Short-term 1-2 years, medium-term 3-5 years, long-term 6-10 years
 * Financial impact in 2050: Small = less than 100 million yen, Medium = 100 million yen to 1 billion yen, Large = 1 billion yen or more

(4) Indicators and Targets

To systematically reduce CO₂ emissions, we will strengthen our efforts to save energy, create energy, and use renewable energy in our business activities, and take measures to promote the 3Rs (reduce, reuse, and recycle) and implement other resource recycling and eco-friendly initiatives. In fiscal 2022, we will redouble our efforts to reduce Scope 1*¹ and 2*² CO₂ emissions and formulate reduction scenarios for Scope 3*³. In addition, the Gunze Group will focus its efforts on

promoting the Circular Factory Plan in the plastics films field and the Net Zero Factory Plan in the apparel (innerwear) field.

*1 Scope 1: Greenhouse gas emitted directly by the Gunze Group (fuel combustion, industrial processes)
 *2 Scope 2: Indirect emissions from the use of electricity, heat and steam supplied by other companies
 *3 Scope 3: Indirect emissions other than from Scope 1 and Scope 2 (emissions from other companies related to the activities of the Gunze Group)

CO₂ reduction results (Scope 1, 2, 3)

		FY2022	Compared to FY2021		Compared to FY2013	
		Emission volume (t-CO ₂)	Reduction volume (t-CO ₂)	Reduction rate (%)	Reduction volume (t-CO ₂)	Reduction rate (%)
Achievements	Scope1+2	118,324	5,832	4.7%	54,184	31.4%
	Scope1	38,643	335	0.9%	13,669	26.1%
	Scope2	79,681	5,496	6.5%	40,515	33.7%
	Scope3	423,860	-13,192	-3.2%	—	—

* Scope 1 and 2 are calculated for all Gunze Group business sites in Japan and overseas (Scope 2 calculation is based on market criteria)
 * Scope 3 is calculated for all Gunze Group business sites in Japan.