# Gunze's Roadmap for the Future

Drawing on the DNA cultivated over the past 128 years, we will create together with stakeholders as we look to the future



Gunze's originality as defined by its employees based on the founding philosophy

# **The Capital That Supports Our Management Foundation**

We will continue to create new value on the back of our three core technological strengths by multiplying and updating our inherent capital.



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# The Future We Want for Gunze

To ensure that people can live with increased "Comfort Solutions for Life," we will play an indispensable role in creating new value that meets the needs of society.



Vision 2030 stage 2 2025~2027

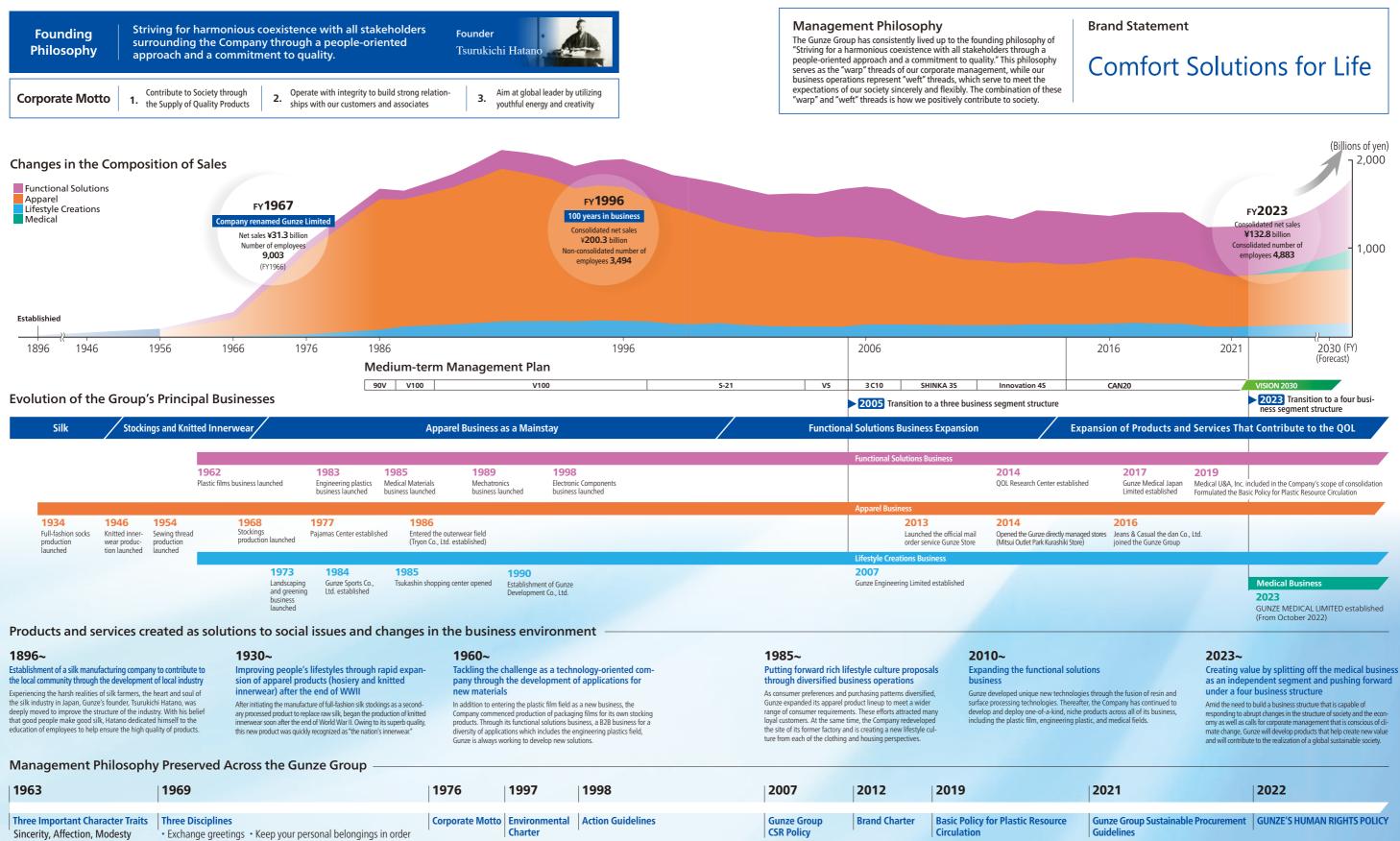
# Vision 2030



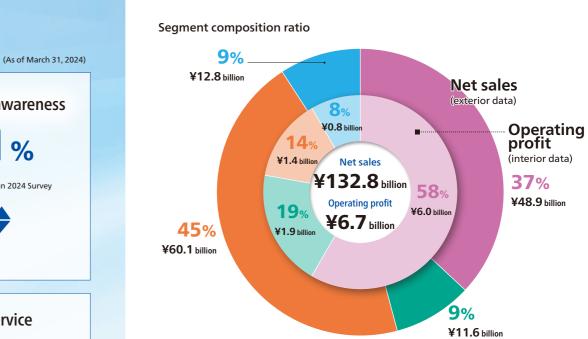
40 42 44 46	Human Rights Initiatives throughout the Supply Chain Environmental Strategy Addressing Climate Change-related Risks and Opportunities Business Segment Strategies 46/Functional Solutions Business 48/Medical Business 50/Apparel Business 52/Lifestyle Creations Business
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# A Track Record of Value Creation

Gunze has continued to provide products and services that address social issues and changes in the business environment as a going concern for 128 years.



Inree Important Character	Traits Three Disciplines	Corporate Motto Environment	tal Action Guidelines
Sincerity, Affection, Modest	<ul> <li>Exchange greetings</li> <li>Keep your personal belongings</li> <li>Participate in cleaning</li> </ul>	in order Charter	1





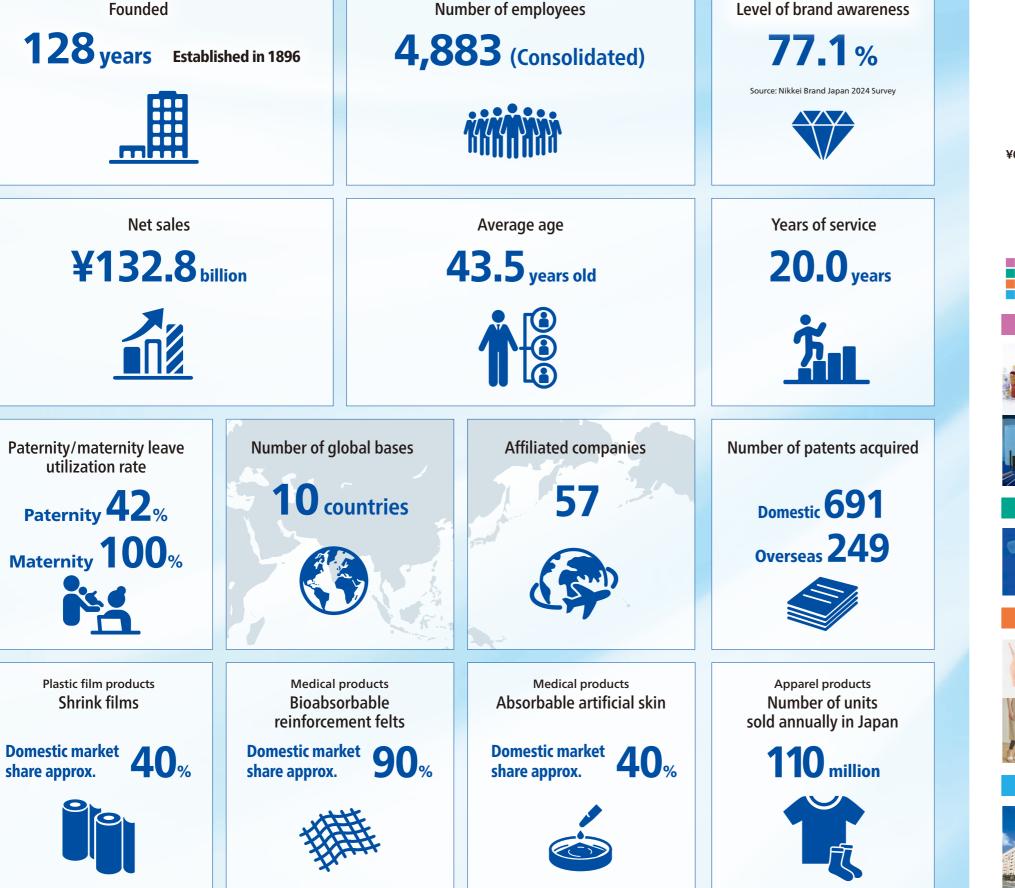














\* The total amounts are consolidated total net sales and total operating income (after Group-wide adjustment). The breakdown amounts are net sales and operating income by segment (before Group-wide adjustment)

## **Functional Solutions Business**

Working through its functional solutions business, the Gunze Group has worked diligently to develop a variety of applications by combining its core resin processing and surface processing technologies. Going forward, energies will be directed toward further expansion through the development of one-of-a-kind products used in a variety of material- and device-related fields, including plastic films, where we develop, manufacture, and sell products that are closely related to daily life, such as beverages, groceries, toiletry products and packaging films, as well as engineering plastics, where we develop, manufacture, and market functional components used in OA equipment and industrial manufacturing processes.

# **Medical Business**

In its medical business, the Gunze Group engages in the manufacture and sale of bioabsorbable medical devices, including surgical suture threads, bone fixation devices, artificial dermis, adhesion barrier sheets as well as other medical devices that employ the technologies developed over many years.

# **Apparel Business**

In a bid to address diversifying needs, the Gunze Group is strengthening its lifestyle proposals in its apparel business as a part of efforts to attract new customers. At the same time, energies are being directed toward innerwear based on a variety of concepts and leqwear products that incorporate both fashion and functionality approaches.

In the textile materials field, the Group is also developing a wide range of products, from various sewing threads with new functions and threads for clothing to diverse industrial materials.

# **Lifestyle Creations Business**

In the lifestyle creations business, the Gunze Group is active in real estate-related fields, which include commercial facility management, housing and office building rentals, and energy-saving management, in the sports club field, where the Group provides high-quality services and options that are closely tied to the community, and in the landscaping and greening field, which comprises tree sales that supply trees and seedlings and flower sales that add color to everyday life.

# Message from the President



# Driving Forward VISION 2030 toward the Realization of a Sustainable Society

Having raised our founding philosophy of a people-oriented approach, a commitment to quality, and harmonious coexistence as our Management Philosophy, the Gunze Group engages in customer-centric business activities. In fact, this approach dates back to the origins of our founding in 1896.

The majority of the large companies in Japan at that time were owner-operator companies led by capitalists like Eiichi Shibusawa, whereas Gunze was primarily funded by small local shareholders and therefore got its start as an enterprise with strong overtones of a public entity. Today, 128 years after our founding, we engage in the four business segments of functional solutions, medical, lifestyle creations, and apparel—the segment for which we are most well-recognized—and have enhanced corporate value through our commitment to quality.

The Gunze Group will create new value toward the future along the "warp" threads of our founding principles, which must remain unchanged, and along the "weft" threads representing our adapting to the shifting needs of the times.

# Surviving as a Company amid a Dramatically Changing Market Environment

We have all experienced the dramatically shifting external environment over the past few years, yet I personally feel that this has also become the new norm for the future. Despite the emerging recovery in socio-economic activities following the end of COVID-19, the world continues to face geopolitical issues like the conflicts in Ukraine and Israel, and has, for example, exhibited increasing complexity with the radicalization of these conflicts. At the same time, I am also aware that taking action on environmental problems is an issue of the utmost importance. Amid the country's inherent challenges of limited national territory and paucity of resources, Japan is expected to see its population decline by nearly 8 million people from 2023 to 2030. This situation is already placing severe strains on corporate activities. Despite these conditions, companies are expected to generate a virtuous cycle for the domestic economy in the immediate future by engaging in activities intended to steadily increase wages and prices. Yet these

# Our Assessment of the Second Year of Medium-term Management Plan VISION 2030 stage1

As our aspiration for 2030, we aim to create new value and deliver a feeling of comfort. Under VISION 2030 stage1, we included four pivotal strategies for achieving this goal, namely new value creation, capital cost-focused management, evolution of our corporate constitution, and environmentally responsible management. Through these strategies we have sought to provide a balanced-degree of value to four groups of stakeholders, namely business partners and customers, shareholders and investors, employees, and society and the environment. Although individuals interpret feelings of comfort differently, our business partners and customers have continued to use the many unique products and services that we have offered over the years because they recognize them as providing a feeling of comfort. As the central management policy on returning profits to shareholders and investors, we have established a policy of continuously delivering a total return ratio of 100% until consolidated ROE exceeds the cost of shareholders' equity. In the fiscal year ended March 31, 2024, we issued a dividend of ¥153 per share, ¥6 higher than the previous year. As far as employees are concerned, we endeavor to improve the working environment by increasing wages and expanding employee benefits. Turning to society and the environment, we have worked through our business activities to provide solutions to the challenges they face. This includes converting the Moriyama Plant (Moriyama City, Shiga Prefecture), one of our key facilities in the plastic films field, into a Circular Factory™

companies will also need to continuously improve the earnings that serve as capital if they are to achieve sustainable growth. A declining population will also lead to smaller markets and a shrinking labor force. Workers will then hold the power to choose companies during recruitment activities. As a company, we therefore stand today at a turning point: Will potential workers choose us? Will we survive? In light of these underlying questions and circumstances, we must take charge of the situation with the resolve to act upon these dramatic shifts.

In our quest for survival, the most important element as a company is competitiveness. Competitiveness indicates the level of acceptance among society, and Gunze's competitiveness, specifically, stems from its ability to provide a "feeling of comfort." Although our core technologies also serve as a method of realizing this feeling of comfort, these technologies alone will not ensure our survival. Which is why I recognize the importance of continuously providing value.

(resource-recycling facility) and building plant buildings that are certified under the Comprehensive Assessment System for Building Environment Efficiency (CASBEE). Under VISION 2030 stage1, we made steady progress in our efforts targeting these four groups of stakeholders. However, as we have yet to achieve our goals, I do not feel the outcomes have been sufficient. In FY2024, the final fiscal year of the Medium-term Management Plan, we will therefore conduct initiatives in each segment intended to increase productivity through automation and DX programs; to enhance cost competitiveness through a globally optimized production system; and to expand our raw material procurement network, as we continue to generate new value that captures changes in the market.

Medium-term Management Plan ▶P.16-17
 Financial Capital Strategy ▶P.28-31



# Providing a "Feeling of Comfort" to Society through Unique Businesses

The Gunze Group engages in an extensive range of businesses, from apparel to plastic films and medical devices. Despite the difficulty in bringing these together under one definition, we manage to leverage the respective characteristics of each business to execute business portfolio strategies in a way that generates Group-wide synergy. I therefore believe that we can provide the value of a feeling of comfort to society by ensuring that each division flexibly responds to the business environment in a way that builds competitiveness. In one example, we split off the medical business, which had originally been part of the functional solutions segment in FY2023, and have clearly positioned it as a driver of growth as an independent segment. Ahead of this move, we merged Medical U&A Inc. and Gunze Medical Japan Ltd., which had operated as sales subsidiaries for the medical group, to establish Gunze Medical Limited in October 2022. Moreover, in April 2023, we merged the R&D, pharmaceutical affairs, and management sections of the medical devices business, thereby creating an organizational structure dedicated to medical devices with the ability to manage all stages from R&D to sales in an integrated manner. At present, we are working to establish a unique business structure tailored to the medical industry by actively recruiting mid-career professionals. Although we do not plan to announce details of the next Medium-term Management Plan VISION 2030 stage2 until May 2025, in working toward our next set of milestones we intend for the medical business to create new corporate value and lead as a pillar of the Gunze Group growth strategy. In

particular, the medical business will do so by providing innovative medical devices with a focus on bioabsorbable products. Specifically, this effort will entail the three growth strategies of achieving sustainable growth by expanding the ratio of high-profitability, proprietary products; promoting area-specific portfolio strategies, including strengthening sales of products for the wound care (WOUND) and thoracic/abdominal (Surgical) areas; and developing new products and challenging new areas that enhance our presence as a company. In order to accelerate these three strategies, we will construct a new plant (the third plant) on the site of the Ayabe Plant in Kyoto, which is the site of our founding. Scheduled for completion in February 2025, this plant will include expanded R&D facilities to enhance our development capabilities. The new plant will also be equipped to increase production of the absorbable adhesive barriers for which demand is growing. Meanwhile, in the engineering plastics field, which is expected to experience a huge increase in demand from the medical and semiconductor sectors, we will expand the main Konan Plant (Aichi Prefecture) with a completion target of March 2025. Moreover, we will strengthen investments in growth businesses in the plastic films field, the area in which the Gunze Group is currently taking the most aggressive action on environmental problems. This move will include putting our Circular Factory™ into full-scale operation and establishing recycling centers as the foundation of our transformation into a circular manufacturer.

· Special Feature: Fine-Tuning Existing Businesses and Early Signs toward Future Business ▶P.22-27

# Gunze Group Sustainability as a Generator of New Value

Originally launched as a silk manufacturing company, today the Gunze Group shares the same DNA of differentiating products and services across its diverse range of businesses, underpinned by a commitment to quality. So, I would like to introduce an example that shows just how far this awareness has spread among our employees. Many of you probably remember how masks flew off the shelves in Japan and could not be found in stores for months on end following the rampant spread of COVID-19 at the start of 2020. At the time, given our technologies in the apparel business, we could have moved immediately to manufacture and sell masks made using cloth fabrics to drive up profits. But because the frontlines of the apparel business were thoroughly committed to how the masks felt against the skin, if they fit easily, if they were gentle around the ears, and other aspects of mask quality when worn, it was only in May that we were able to launch sales of a gentle cloth

mask that was uniquely made by an underwear manufacturer. As we continued to enhance the quality and provide a feeling of comfort by developing masks for the summer, we received praise from customers and ended up creating one of the top selling products on our e-commerce site. I believe this stance of the apparel business itself embodies our spirit, and our sense of ethics. Introducing this effort Group-wide has given rise to a synergistic effect within the Company. The direction for which I feel the Gunze Group must continue to aim in looking to 2030 is sustainability-related initiatives, including those focused on environmental issues, primarily climate change, and those for strengthening human capital. Our founding spirit lives on within the human resources strategies that are essential for sustainable management. With the beliefs that "good people make good silk yarn" and "a good conscience produces a yarn of high luster," our founder, Tsurukichi Hatano, worked hard to

strengthen education for female mill workers in order to improve the quality of our yarn. People at that time spoke of the factory as "a factory on the outside but a school on the inside." This reputation was built by Hatano, who steadfastly followed the policy of respect for people. This policy, as well as the commitment to cultivating and empowering people, has been preserved throughout Gunze's history. Today, as job-based employment and mid-career recruitment become more common, and the concept of lifetime employment is starting to change, we must take an approach that suits the needs of the times. Besides the

2. Sustainable Management Strategy

# Passing on the Gunze Group's DNA

When asked about our policy for developing management personnel, I answer that candidates must have acquired a certain degree of management sensibility, knowledge, experience, and skill, as described in textbooks. Yet these can also be acquired later on through effort. In contrast, the two things I think are absolutely essential for engaging in management are health and a personality that connects to management qualities. Health and personality are attributes with which we are born, and are greatly affected by where we come from. You cannot change these by suddenly making an effort. Yet both are extremely important for engaging in the work of management. Although direct competition among candidates only begins after we screen for these two aspects, candidates must make every effort at this point to acquire the skills they are lacking. Given the increase in job-based employment and the shift away from the concept of working for one company for an entire lifetime, however, we will flexibly address these changes as we develop human resources. My motto is do my best to choose the right people and to leave the rest to chance. Although this might make some people mistake my stance as leaving things up to others, I believe these words convey the importance of first and foremost putting every effort into the duties with which we have been tasked. When performing our duties, the most important goal is for us to perfect competitiveness, no matter how small the task. And I ask that all employees continue to enhance their competitiveness within the

# **Co-creation Woven Together with Stakeholders**

We will continue to engage in the effort to "Transform and Challenge," and we will tirelessly work to enhance customer satisfaction and corporate value with the intense desire to contribute to society by providing new products and services that create the future. Through sustainable

obvious themes of promoting women's empowerment and engaging in work style reforms, we will also work to enhance the awareness that all employees are involved in management, to reform the employee benefit system, and to support self-led career development.

In addition to training specialists like myself, after all, my career proceeded almost entirely within the plastic films field, we will work to train human resources in a way that helps develop future generations of management executives, including through personnel exchanges between business divisions.

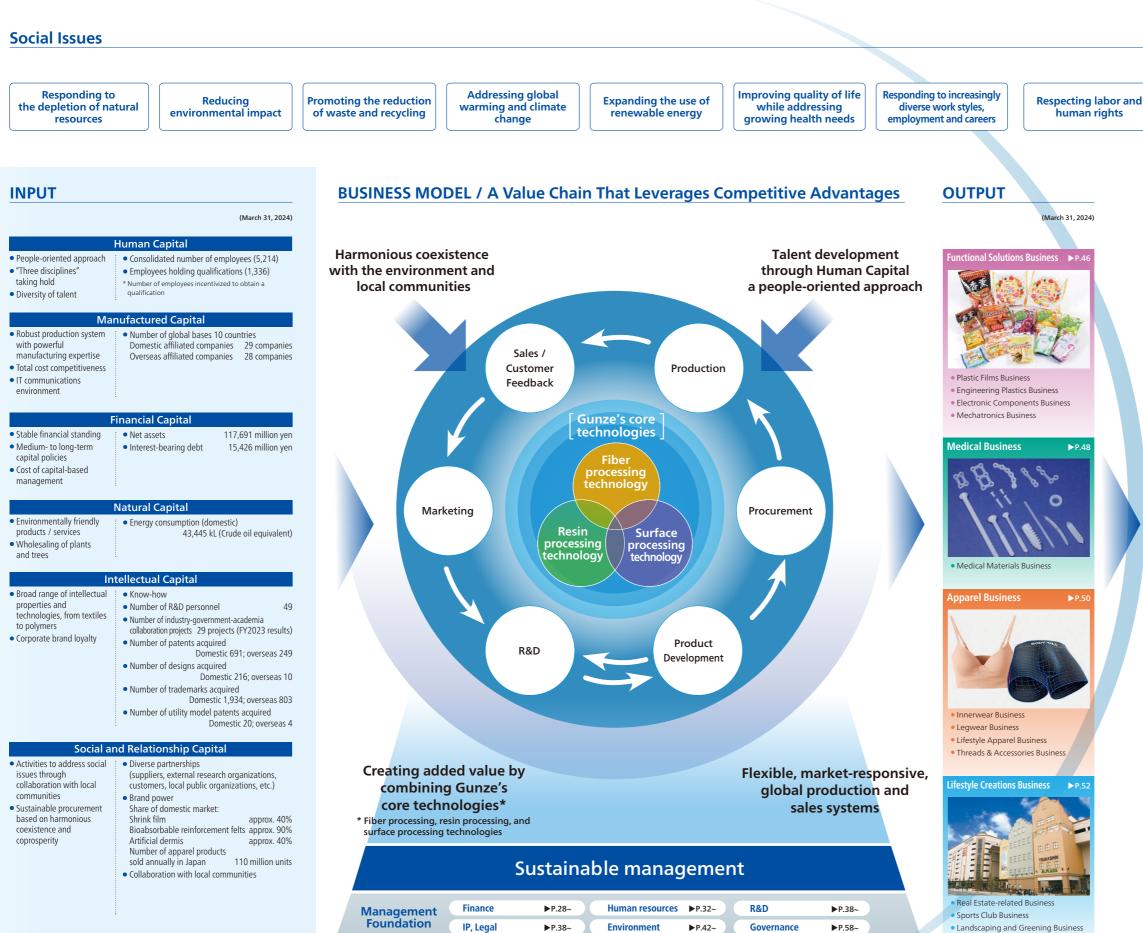
Company as they identify the competitiveness of Gunze from the stance of its customers. Simply putting our best foot forward does not mean that we will proceed smoothly with our work. Yet I still think it is important to always stay at least one step ahead of our competition. We should not simply aim in one giant leap for the top, but should gradually accumulate duties in a steady manner, one step at a time. With 2024 marking our 129th year in business, I feel this very approach is exactly what the Gunze Group needs if it is to survive over the long-term.





management that aims to balance social and economic benefits, we intend to remain a company that will survive for the coming 50 and 100 years. I therefore humbly ask for your further support and understanding. Thank you.

# Value Creation Model



Addressing the shrinking domestic labor market

Addressing accelerated digitization

# OUTCOME

(March 31, 2024)

## FY2023 Results

- **Human Capital** • Ratio of women employees (non-
- consolidated)
- 33.8% • Ratio of women in managerial roles 7.0%
- Ratio of women corporate officers 13.6%
- Improvement of engagement (Engagement score = 62 pt. / Survey results fiscal year ended March 31, 2024)
- Work-life balance Paternity/maternity leave utilization rate 42.0%/100%
- Average number of annual leave days taken 14.9

#### Manufactured Capital

Capital investment costs 9,147 million yen

#### **Financial Capital**

- Return of profits to shareholders (dividend per share) 153 yen (2.6 billion yen in total)
- Total shareholder return (TSR) 138.3%

#### Natural Capital

- CO<sub>2</sub> emissions (Domestic + Overseas) 115,517-CO2 Scope 1+Scope 2\* (Compared with FY2013 BM: 33.0% reduction)
- \* Gunze Group total • No. of plants with ISO 14001 certification 14 business sites

#### Intellectual Capital

- R&D expenses 2,471 million ver • Number of patents published
- 80 (Domestic 52, overseas 28)

### Social and Relationship Capital

- 77 1% Brand awareness (Nikkei Brand Japan 2024 Survey) Contributions to the local community: Entered into regional comprehensive agreements with Osaka Prefecture, Osaka City, and Kyoto Prefecture Model Forest Movement (forest conservation activity) Four times, total participants: 125 (collaboration with Kyoto Prefecture)
- Joined the emergency disaster response alliance SEMA
- Love Earth activities
- (support for six organizations, including NPOs)

**IMPACT** 

Safety

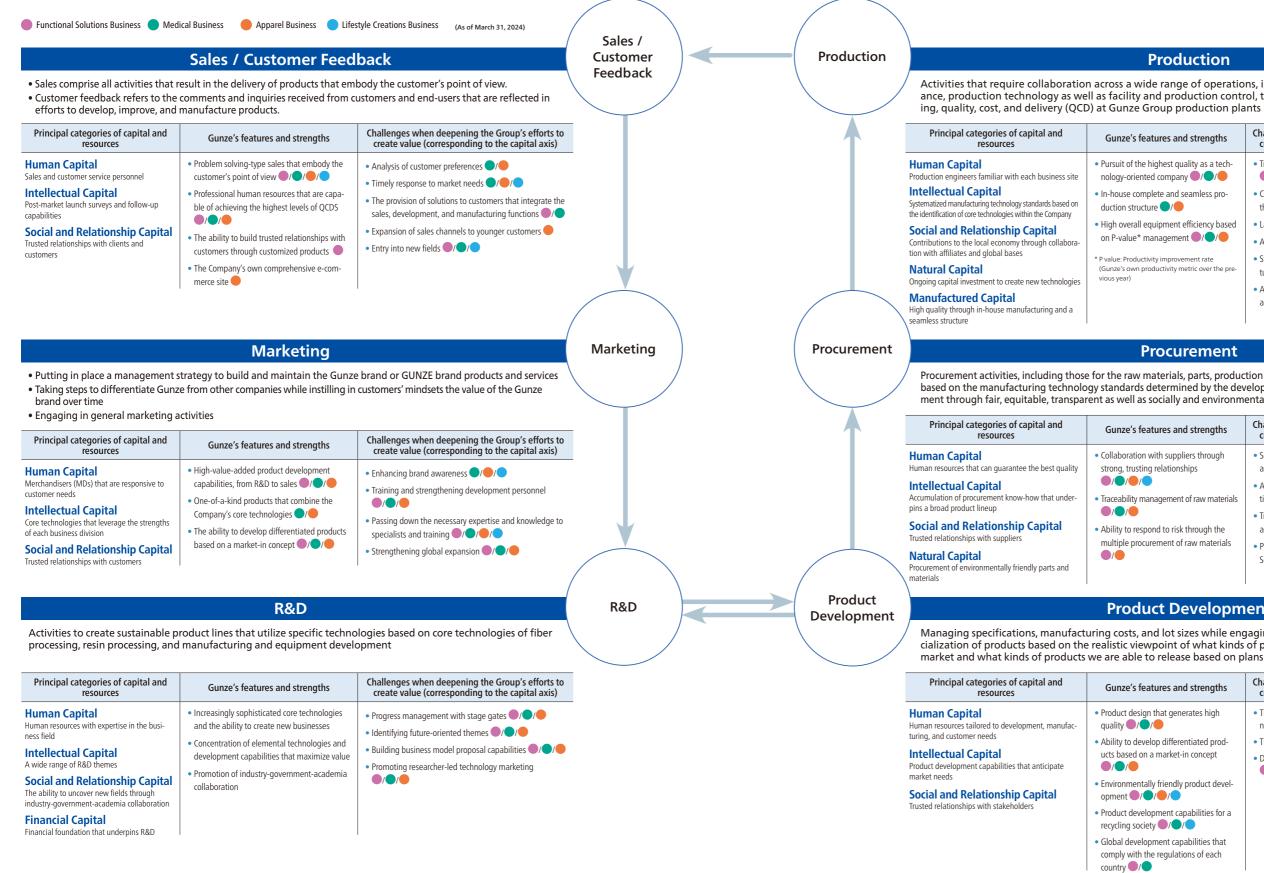
Security

Comfort

Solving solutions social issues for If Φ through comfort

# Creating Value through the Value Chain by Leveraging the Group's **Competitive Advantage**

The value chain activities identified in Gunze's value creation model strengthen the Company's business activities by efficiently using the Group's various capital resources and leveraging its unique strengths.



## Here we present details of the principal categories of capital for each activity, Gunze's competitive advantage, and the challenges we face in further deepening the Group's efforts to create new value.

## Production

Activities that require collaboration across a wide range of operations, including manufacturing, quality assurance, production technology as well as facility and production control, to ensure strict control over manufactur-

Challenges when deepening the Group's efforts to create value (corresponding to the capital axis)				
<ul> <li>Transfer in technology in response to an aging workforce</li> <li>/</li> </ul>				
<ul> <li>Centralized visualization of information in plants through IoT</li> </ul>				
<ul> <li>Lack of workers in domestic plants ////</li> <li>Aging domestic facilities //</li> </ul>				
<ul> <li>Strengthening productivity and the ability to manufac- ture a variety of products at overseas plants <!--/li--> </li></ul>				
Ability to customize production to local characteristics     and needs     /     /				

## Procurement

Procurement activities, including those for the raw materials, parts, production equipment, sub-materials used for products based on the manufacturing technology standards determined by the development and design divisions; stable procurement through fair, equitable, transparent as well as socially and environmentally responsible transactions with suppliers

eatures and strengths	Challenges when deepening the Group's efforts to create value (corresponding to the capital axis)
on with suppliers through ing relationships	<ul> <li>Selection of suppliers taking into consideration sustain- ability issues and concerns</li></ul>
nanagement of raw materials	<ul> <li>Appropriate transactions to maintain and improve relationships with suppliers</li> </ul>
spond to risk through the	<ul> <li>Transactions that take into consideration human rights and biodiversity</li> </ul>
ocurement of raw materials	<ul> <li>Procurement of materials with an eye that extends to Scope 3 ()</li> </ul>

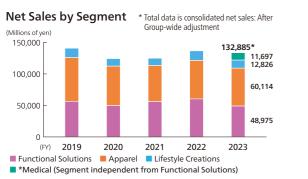
# **Product Development**

Managing specifications, manufacturing costs, and lot sizes while engaging in activities that lead to the commercialization of products based on the realistic viewpoint of what kinds of products we are looking to bring to the

eatures and strengths	Challenges when deepening the Group's efforts to create value (corresponding to the capital axis)
ign that generates high	<ul> <li>The launch new products in new areas using core tech- nologies ////////////////////////////////////</li></ul>
velop differentiated prod-	<ul> <li>Timely response to market needs ///////////////////////////////////</li></ul>
on a market-in concept	<ul> <li>Development geared toward global expansion</li> </ul>
tally friendly product devel-	
elopment capabilities for a ciety ////	
lopment capabilities that the regulations of each	

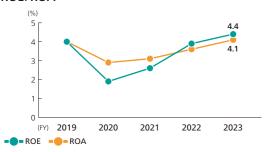
# Financial and Non-financial Highlights

# Financial \* The medical materials field, which was included in the Functional Solutions segment, was split off as the independent Medical segment from FY2023.



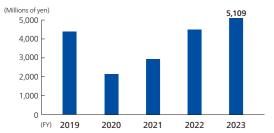
Net sales decreased ¥3,144 million year on year owing to the transfer of the electronic components business and real estate development project factors in FY2022.





ROE and ROA increased 0.5 of a percentage point year on year in line with the upswing in net income and operating income.

#### Profit Attributable to Owners of Parent



Based on the posting of a gain on sales of securities, business restructuring expenses, and income taxes – deferred (gain) related to investments in subsidiaries, profit attributable to owners of parent climbed ¥608 million year on year.

#### **Total Assets/Equity Ratio**



The equity ratio came in at 73.2%, up 3.4 percentage points year on year owing to a variety of factors, including the effects of streamlining total assets through the sale of securities and the repayment of borrowings.



Functional Solutions

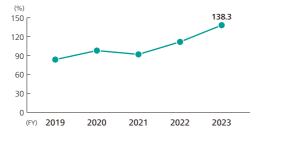
Apparel

Lifestyle Creations

\*Medical (Segment independent from Functional Solutions)

Operating profit increased ¥965 million year on year primarily owing to improved profitability in the apparel business.





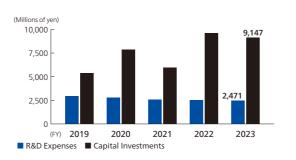
Total Shareholders Return (TSR) in FY2023 came in at 138.3% compared with the base year of FY2018, up 26.5 percentage points from the TSR for FY2022 of 111.8% using the same benchmark.

#### Net Income per Share/Dividends per Share



The annual dividend for FY2023 was set at  $\pm$ 153 per share, up from  $\pm$ 147 per share in FY2022. The annual dividend for FY2024 is projected to come in at  $\pm$ 157 per share.

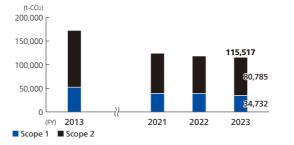
#### R&D Expenses/Capital Investments



In FY2023, the Gunze Group undertook investments (¥9,147 million) mainly in plastic film production equipment and the construction of an apparel SCM platform.

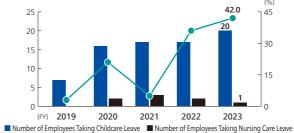
## Non-financial

#### CO2 Emissions (Japan + Overseas) Scope 1 + Scope 2



The Group promoted sustainable energy-saving activities and the use of renewable energy to reduce CO<sub>2</sub> emissions.

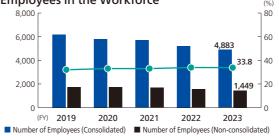
#### Number of Employees Taking Childcare and Nursing Care Leave/Men's Paternity Leave Utilization Rate



Multiple of Employees raking runnang endear teave
 Men's Paternity Leave Utilization Rate (Right axis)

Promoted as child-rearing support, the men's paternity leave utilization rate came in at 42.0%, up 6.0 percentage points year on year.

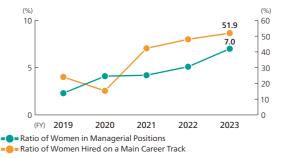
Number of Employees and Ratio of Women Employees in the Workforce



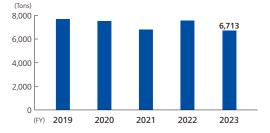
Ratio of Women Employees in the Workforce (Non-consolidated/Right axis)
The number of employees decreased on both a consolidated and

non-consolidated basis. The percentage of female employees came in at 33.8%, essentially unchanged from the previous fiscal year.

#### Ratio of Women in Managerial Positions/Ratio of Women Hired on a Main Career Track

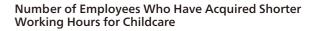


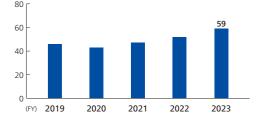
Both the ratio of women in managerial positions and the ratio of women hired on a main career track increased. The ratio of women hired on a main career track excludes women working rotating shifts.



Total Waste Generated (Japan)

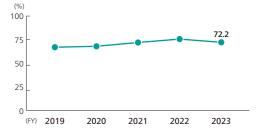
Results in FY2023 fell below the previous fiscal year. The Gunze Group will strive to reduce the amount of generated waste while promoting waste recovery and reuse.





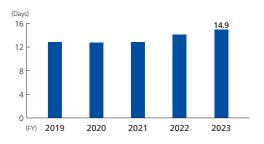
Gunze's system of short working hours for children is available to employees who are raising a child up to the end of March of the third year of elementary school. The system was utilized by 59 employees in FY2023.

**Reemployment Rate after Retirement** 



After retiring at the age of 60, 72.2% of employees continue to work under the reemployment program at the Gunze Group.

#### Average Number of Days of Annual Leave Taken



The number of days of annual leave taken, which the Group promotes as part of its efforts to establish and organizational culture, increased 0.8 days year on year.