

Medium-term Management Plan

Review of the Previous CAN20 Medium-term Management Plan

Under "CAN20," the strategy was divided into the Phase I and Phase II with the aim of growing core businesses and strengthening the management foundation, guided by the vision to provide customers with a special type of comfort which only Gunze can offer and based on the key concept of Focus and Concentration. In Phase II, the plan was

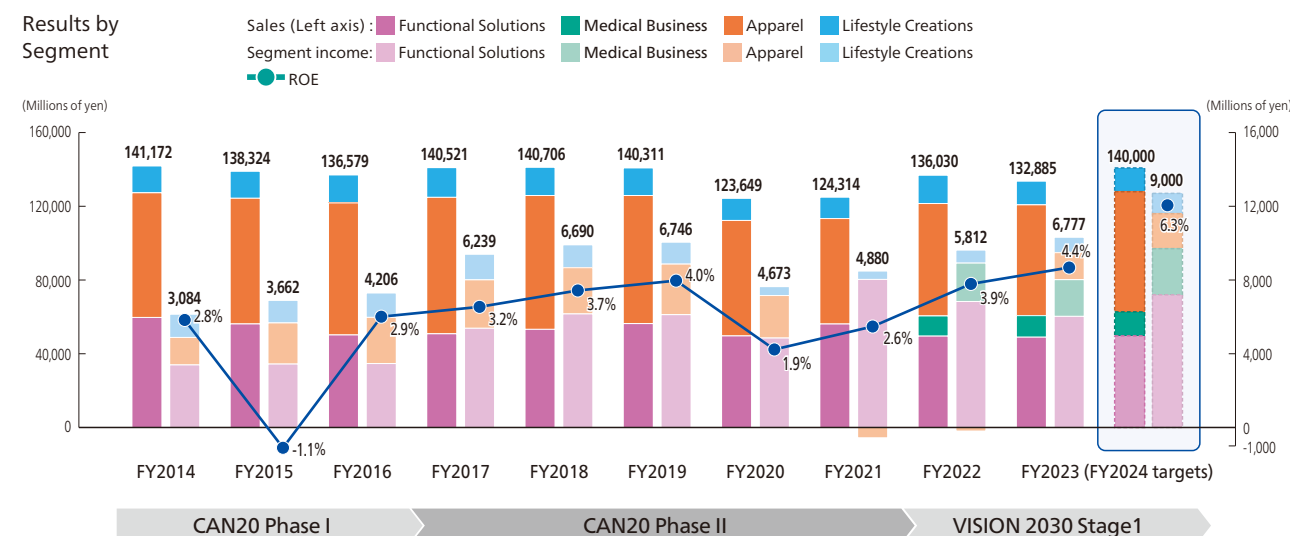
extended by one year to FY2021 due to the impact of COVID-19. CAN20 has enabled us to build a foundation for future-oriented growth businesses based on the recovery in the functional solutions business driven by growth in the plastics, engineering plastics, and medical fields.

Achievements and Challenges in Phases I and II of the Previous Medium-term Management Plan "CAN20"

Phase I (FY2014 to FY2016)		Phase II (FY2017 to FY2021)	
Strategy	(1) Portfolio strategy: Selection and concentration through strategic business units (SBUs)	Strategy	(1) Business strategies by segment: Revive growth in the Functional Solutions Business
	(2) CFA* Project: Health and medical business expansion (Nightingale Project) Creation of new business (Edison Project)		(2) Creation of new business: Promote commercialization of Phase I projects, expand business by M&A, construct a mechanism to create new business themes
	(3) Reinforcement of management foundation: Enhance core technologies, Global responsiveness, Strengthen intangible assets, Reduce fixed costs		(3) Reinforcement of management foundation: Improve competitiveness by strengthening production base, strengthen management foundation
Achievements	(1) Rapid Progress of Medical Materials Field (70% increase in sales): Net sales increased 70% year over year, while operating income increased 300% year on year, sales of Bioabsorbable Reinforcement Felt expanded in the U.S.A.	Achievements	(1) Growth in functional solutions business: Establishment of a global manufacturing and sales structure in the plastic films field, growth in semiconductor/medical fields for engineering plastics Establishment of a sales company in the medical field and structures for further growth (including M&A)
	(2) Revival of Strong Apparel (80% increase in operating income): Women's innerwear: CUT OFF and Seamless innerwear became a big hit Legwear: Leggings pants that created new demand became a big hit		(2) Women's innerwear and EC growth through differentiated technologies for apparel
	(3) Entered the Apparel Retail Business: Jeans & Casual the dan Co., Ltd. became a subsidiary (M&A) Company-owned stores opened (factory outlet, family shop)		(3) Clearly promote commercialization of films for next-generation lithium-ion batteries
Challenges	(1) Delayed response to sales growth	Challenges	(4) Improve capital efficiency by liquidating unprofitable businesses and idle real estate
	(2) Insufficient response to the maturation of mainstay businesses/products		(1) Ongoing efforts to create new businesses
	(3) Absence of growth business		(2) Strengthen responsiveness to changes in the external environment and the new normal
	(4) Slow in restructuring electronic components business		(3) Structural reform and profit improvement in leg wear, sports clubs, and other problem businesses
			(4) Further collaboration and mobilization of people and organizations
			(5) Business innovation/model transformation by using digital technology

* CFA: Cross Functional Approach

Medium-term Management Plan Performance Trends



* The total of consolidated net sales and operating income (after Group-wide adjustment). Breakdown of net sales and operating income by segment (before Group-wide adjustment).

Medium-term Management Plan "VISION 2030 Stage1"

Based on the achievements and challenges of the previous Medium-term Management Plan CAN20 and changes in the external environment, the Gunze Group formulated and announced details of VISION 2030 stage1, a medium-term management plan that covers the three-year period from FY2022 to 2024 in May 2022. The Medium-term Management Plan "VISION 2030 stage1" is Phase I of the realization of "VISION 2030." To formulate the plan, we clarified our vision and goals for 2030, considering ways to eliminate the gap between our current status and our ideal state using the backcasting method. Our vision for 2030 is to "Create new value and deliver a 'feeling of comfort' to customers, contributing to a sustainable society." We also aim

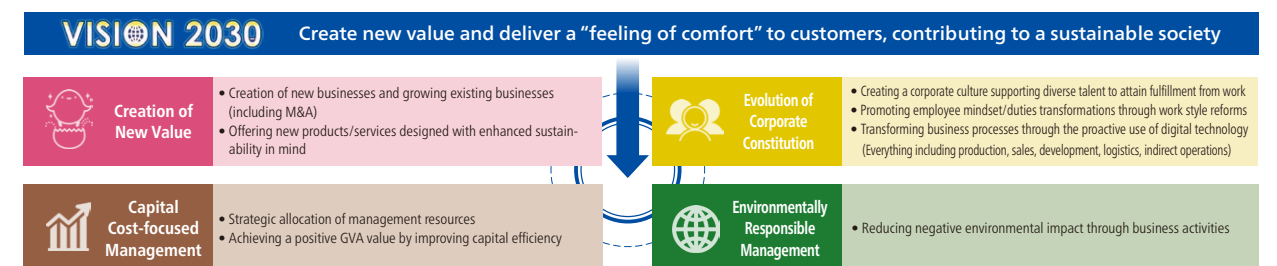
to continuously enhance corporate value through sustainable management that balances economic and social benefits, based on the key phrase "Transform and Challenge."

Role and Positioning of Each Business Segment in the leadup to 2030

Growth driver	Medical
Profit expansion/contribution	Plastic Films Engineering Plastics
Corporate brand value improvement	Apparel/Lifestyle Creations

Four Basic Strategies

In order to promote sustainable management, the Gunze Group has formulated materiality (key) issues for management and has positioned them as the four basic strategies of "VISION 2030 stage1."



Business Objectives

Financial Goals (FY2024 Targets)

Net sales	140 billion yen
Operating income	10 billion yen
ROE	6.3% or higher

Non-financial Goals

Category	Target indicators	2024 targets	2030 targets
Environmental responsiveness	CO ₂ emissions reduction rate (Japan + overseas) Scope 1 + 2* *Gunze Group total	28% or higher	35% or higher
	Per-unit energy consumption reduction rate (vs. previous year)	1%/year or higher	
Evolution of Corporate constitution	Promotion of women's empowerment	Ratio of women in managerial roles	6% or higher
		Ratio of female employees in the workforce	35%
		Ratio of women hired on a main career track	50%
	Parenting support	Men's paternity leave utilization rate	50%
	Corporate culture creation	Engagement score	70pt. (estimate)
Others	Work style reforms	Annual paid leave utilization rate	75%
	Productivity improvement rate (P value*) *Gunze's own productivity metric over the previous year	103%	103%

New Initiatives in Carrying Out the Medium-Term Management Plan

Responding to Changes in the External Environment

Reflecting the pressure placed on profits by the deterioration in external factors, including the sharp rise in raw materials prices, fluctuations in foreign currency exchange rates, most notably depreciation in the value of the yen, and soaring energy costs, expenses climbed roughly ¥1.3 billion in the operating income and loss level over a two-year period. In a bid to offset this upswing, energies were directed toward expanding sales, the implementation of pass-on measures, and variety of cost reduction initiatives, including structural reform.

Transforming Our Business Portfolio

In order to clarify its position as a growth driver, the medical materials field, which was included in the functional solutions business, was split off as the independent medical business segment. Consistent with its efforts to promote structural reform and planned withdrawal from the electronic components business, the film business in the electronic components field was transferred in October 2022 and the touch panel business is scheduled for transfer in October 2024. Moreover, and as we announced in March 2024, we are considering a business transfer in the mechatronics field and have initiated negotiations. In the apparel business, we liquidated factories in China in FY2022 due to contractions in the pantyhose market in the legwear field. We also took steps to close a sock factory in Indonesia in FY2023.

Our Understanding of the Business Environment (Risks and Opportunities)

As the external environment, we have identified the major social issues that may have an impact on the Gunze Group's ability to generate value in the medium- to long-term. The risks and opportunities associated with these have also been identified.

To resolve social issues while appropriately addressing risks and taking advantage of opportunities, we recognize the priority themes raised in the Medium-term Management Plan as management materiality and will continue to enhance value creation.

Social Changes	Issues	Risks	Opportunities	Countermeasures	Materiality
1 Changes in the market environment surrounding the Gunze Group	<ul style="list-style-type: none"> Response to changes in customer preferences due to restrictions on social activities Shrinking of domestic market 	<ul style="list-style-type: none"> Decline in profitability due to the emergence of non-profit yielding business divisions Obsolescence of technologies/services due to decreased competitiveness Obsolescence of existing needs 	Measures to address high social issues created through diverse business development	<ul style="list-style-type: none"> Strengthen profitability by focusing on the business portfolio ▶ For details: P.30~ → Financial Capital Strategy Develop products and services that generate social value, including products that contribute to the reduction of CO₂ ▶ For details: P.6~ → Message from the President 	Creation of New Value
2 Country risk in nations where Gunze operates	<ul style="list-style-type: none"> Reorganization of business strategies 	<ul style="list-style-type: none"> Difficulties in continuing business operations due to drastic changes in political and economic conditions, including friction between the U.S. and China, conflicts in Ukraine/Israel, deterioration of Chinese economy Deterioration in the profitability of overseas production due to fluctuations in foreign currency exchange rates 	Business expansion that contributes to improving quality of life	<ul style="list-style-type: none"> Global business expansion ▶ For details: P.46~ → Functional Solutions Business, ▶ For details: P.48~ → Medical Business Risk diversification through the development of businesses in regions the Group has not yet entered Return to domestic production ▶ For details: P.50~ → Apparel Business 	
3 Spread of COVID-19 infections, etc.	<ul style="list-style-type: none"> Business continuity under different environments from normal times 	<ul style="list-style-type: none"> Damage to production, logistics, and commercial facilities due to large-scale earthquakes, typhoons, floods, and other natural disasters Limitations on the business structure due to changes in society and lifestyles Difficulty in procuring raw materials due to supply chain disruptions 		<ul style="list-style-type: none"> Construction of labor-saving and unmanned lines at plastics and apparel plants ▶ For details: P.22~ → Special Feature, ▶ For details: P.46~ → Functional Solutions Business Measures to expand the ability to attract customers to the e-commerce site ▶ For details: P.50~ → Apparel Business BCP-driven supplier system development ▶ For details: P.46~ → Functional Solutions Business 	
4 More stringent legal and social rules	<ul style="list-style-type: none"> Difficulty of manufacturing under existing standards 	<ul style="list-style-type: none"> Litigation, including intellectual property litigation, causing brand value to be lost Revision of products and services due to changes in quality standards Suspension of business activities due to legal violations 	Human capital management that embodies a people-oriented approach	<ul style="list-style-type: none"> Applications for patents, trademarks and design rights ▶ For details: P.38~ → IP and Legal Strategy Reinforcement of projects requiring certification ▶ For details: P.48~ → Medical Business Compliance with global standards ▶ For details: P.48~ → Medical Business 	Evolution of Corporate Constitution
5 Contraction of domestic labor markets	<ul style="list-style-type: none"> Lack of diversity among human resources 	<ul style="list-style-type: none"> Difficulty in securing human resources due to a shrinking labor force A lack of creative thinking capabilities due to immobilization of the personnel composition and an upside down population pyramid Lack of diversity due to a low percentage of female employees 		<ul style="list-style-type: none"> Improvement of productivity in all areas, including production, sales, logistics, and back-office operations through the use of AI, IoT, sensing technologies, etc. ▶ For details: P.46~ → Functional Solutions Business; ▶ For details: P.50~ → Apparel Business Improvement of productivity through mindset, operating, and office reforms ▶ For details: P.32~ → Human Resources Strategy Building of a personnel system that leads to increased engagement, improvements in the working environment ▶ For details: P.32~ → Human Resources Strategy D&I promotion ▶ For details: P.32~ → Human Resources Strategy Promotion of women's empowerment ▶ For details: P.32~ → Human Resources Strategy Promotion of human resources and independent career development ▶ For details: P.32~ → Human Resources Strategy 	
6 Increased awareness of human rights	<ul style="list-style-type: none"> Insufficient revision of standards 	<ul style="list-style-type: none"> Potential for human rights violations exist due to insufficient verification of human rights and working environment standards 		<ul style="list-style-type: none"> Implementation of human rights due diligence ▶ For details: P.32~ → Human Rights Initiatives throughout the Supply Chain Education of employees with regard to respect for human rights ▶ For details: P.40~ → Human Rights Initiatives throughout the Supply Chain 	
7 Progress in the shift to IT	<ul style="list-style-type: none"> Increase in cyber-attacks that cannot be handled by existing security systems Irresponsible postings due to the anonymity of SNSs 	<ul style="list-style-type: none"> Leakage of important information due to cyber-attacks, computer viruses, and other malicious methods Spread of erroneous information through SNSs 	Expansion of circular economy-driven business models	<ul style="list-style-type: none"> Reinforcement of cyber-attack countermeasure systems Dissemination of information tailored to stakeholder demographics 	Environmentally Responsible Management
8 Growing severity of global environmental problems	<ul style="list-style-type: none"> Global warming 	<ul style="list-style-type: none"> Higher raw material and energy costs Risks relating to laws and regulations, such as the introduction of a carbon tax 		<ul style="list-style-type: none"> Transition to renewable energy ▶ For details: P.22~ → Special Feature Construction of a net zero carbon factory (Yanase Factory) Procurement of raw materials and environmental load reduction materials ▶ For details: P.42~ → Environmental Strategy Reduction of CO₂ emissions by 35% or more ▶ For details: P.42~ → Environmental Strategy 	
9 Growing international awareness of marine plastic pollution	<ul style="list-style-type: none"> Conversion to business that reduces use of petroleum-derived raw materials 	<ul style="list-style-type: none"> Stronger regulations regarding disposable plastics Lower sales due to the spread of products made from plastic alternatives 		<ul style="list-style-type: none"> Promotion of circular factory projects ▶ For details: P.22~ → Special Feature, ▶ For details: P.42~ → Environmental Strategy Improvement of recycled hybrid film raw material ratio ▶ For details: P.22~ → Special Feature 	Capital Cost-focused Management

Four Growth Strategies (Materiality) under VISION 2030 stage1

Having identified the risks and opportunities related to important social issues, in 2022, we set materiality linked to our Medium-term Management Plan as the priority theme that will contribute to resolving these issues by leveraging the Gunze Group's businesses and strengths.

Through measures and initiatives designed to realize materiality, we aim to become a sustainable company that contributes to society and achieves sustainable growth for the Group by working to balance economic value and social value.

Materiality	Our Measures	Gunze's Timeline	KPIs (FY2024 Targets)	FY2023 Initiatives	Future Challenges
Creation of New Value	<ul style="list-style-type: none"> Creation of new businesses and continued growth of existing businesses (including M&A) 	Medium term	New business-related <ul style="list-style-type: none"> Commercialization of functional films such as films for next-generation lithium-ion batteries 	<ul style="list-style-type: none"> Completion of the initial design of the next-generation functional film Initiatives directed toward the commercialization of functional films underway 	<ul style="list-style-type: none"> 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
	<ul style="list-style-type: none"> Offering new products/services designed with enhanced sustainability in mind 	Short term	Development of environmentally friendly products Value creation from resource circulating-type films <ul style="list-style-type: none"> Expand sales of biomass plastic products Expand sales of low-specific gravity polyolefin products Development of films to reduce food waste Net sales of medical-related products <ul style="list-style-type: none"> Expand sales of new medical products Net sales of wellness and health category products <ul style="list-style-type: none"> Strengthen the development of health category products Expand sales of lifestyle-oriented products 	<ul style="list-style-type: none"> Expand sales of GEOPLAS™, an environment-friendly shrink film made from 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 Transformation to an organizational structure dedicated to comprehensive medical devices from R&D to sales Proactive market launch and sales expansion of adhesion barrier materials, etc. 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 Accelerate the shift to a D to C business system in the apparel business (EC, directly managed stores) Launch of sweat-removing technology brand Asedoron 	<ul style="list-style-type: none"> 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 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 Acquisition of new customers by rebuilding the MD strategy and proposing products that maximize customer lifetime value
Evolution of Corporate Constitution	<ul style="list-style-type: none"> Establishing a corporate culture that empowers diverse talent 	Long term	D&I promotion (Promotion of women's empowerment, etc.) <ul style="list-style-type: none"> Ratio of women in managerial roles: 6% or higher Ratio of female employees in the workforce: 35% Paternity leave utilization rate: 50% 	<ul style="list-style-type: none"> Ratio of women in managerial roles: 7% Ratio of female employees in the workforce: 34% Paternity leave utilization rate: 42% 	<ul style="list-style-type: none"> 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
	<ul style="list-style-type: none"> Promoting employee mindset/duties transformations through work style reforms 	Medium term	Initiatives for respecting human rights <ul style="list-style-type: none"> Conduct human rights due diligence on the Company and its major business partners 	<ul style="list-style-type: none"> Conduct of in-house assessments (identification of the actual status of foreign technical interns) (Domestic plants: three companies) Conduct of supplier assessments: Engineering plastics field nine companies; textile materials field 12 companies Implementation of improvement measures based on assessment analysis results Conduct of follow-up investigations and discussions of future actions 	<ul style="list-style-type: none"> Promotion of training and other programs for suppliers (Expansion of coverage to overseas suppliers)
	<ul style="list-style-type: none"> Transforming business processes through proactive use of digital technology (covering all business processes, including production, sales, development, logistics, back-office, etc.) 	Medium term	Strengthening of risk response capabilities <ul style="list-style-type: none"> Holding of Risk Management Committee meetings: Four times per year Building of personnel systems, improvement of work environments <ul style="list-style-type: none"> Improvement of engagement score: 70 points (estimate) Annual leave utilization rate: 75% Productivity improvement through mindset, duty, and office transformations Promotion of DX through various means, including the use of online meetings 	<ul style="list-style-type: none"> Holding of Risk Management Committee meetings: Four times per year Engagement score: 62 points Annual leave utilization rate: 74.8% Launch of personnel compensation system reform 	<ul style="list-style-type: none"> Strengthening of the operations of whistleblower systems Continue implementation of 1-on-1 meetings Increase in the annual leave utilization rate through improvements in operational 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
Environmentally Responsible Management	<ul style="list-style-type: none"> Reducing environmental impact from business activities 	Long term	Improvement of productivity in all areas, including production, by utilization of AI, IoT, sensing technologies, etc. <ul style="list-style-type: none"> Productivity improvement rate (P value)*: 103% * Gunze's own productivity metric over the previous year CO₂ emissions reduction rate <ul style="list-style-type: none"> Reduction vs. FY2013 Scope 1 + Scope 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) Promotion of the Net Zero Carbon Factory Project: Apparel, Yanase Plant (Hyogo Prefecture) 	<ul style="list-style-type: none"> Productivity improvement rate (P value): Domestic 99.5%, Overseas 99.2% Scope 1 + Scope 2: 115,517t Reduction of 33% or more (vs. FY2013) Scope 3: 390,856t FY2023 per-unit energy consumption reduction rate: 1.8% increase vs. the previous year (domestic) Promoting smart factories (automated lines) (Yanase Plant) 	<ul style="list-style-type: none"> Scope 1 + Scope 2: Reduction of 28% or higher (FY2024) Sustained energy conservation activities and expansion of the renewable energy ratio Scope 3 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 Expansion of smart plants (automated lines)
Capital Cost-focused Management	<ul style="list-style-type: none"> Strategic allocation of management resources 	Medium term	Focused investment of management resources in growth businesses and growth areas <ul style="list-style-type: none"> Environment-related investment: ¥8.6 billion Acquisition of new targets by expanding channels EC+SPA sales ratio: 24% Business expansion through business alliances and M&A 	<ul style="list-style-type: none"> Environment-related investment: ¥2.8 billion (¥2.7 billion relating to Circular Factory, ¥100 million for Ayabe Engineering Plastics Factory) EC+SPA sales ratio: 25% Establishment of Balleite joint venture with MASH Group (September 2023) 	<ul style="list-style-type: none"> Promotion of construction plans for a recycling center Increase in the EC+SPA sales ratio Acquisition of loyal customers through a proprietary CRM program New store openings in commercial facilities with considerable ability to attract customers
	<ul style="list-style-type: none"> Achieving a positive GVA value by improving capital efficiency 	Medium term	Restructuring low-growth businesses and fields <ul style="list-style-type: none"> ROE 6.3% or higher Positive Company-wide GVA Improvement of profitability 	<ul style="list-style-type: none"> ROE 4.4% GVA -¥1.6 billion (improvement of ¥0.7 billion vs. the previous year) Announced details of the planned transfer of shares in electronic components field (touch panel business) In legwear field, Indonesian socks factory ceased production Started to examine transfer of mechatronics business ▶ For details: P.28~ → Financial Capital Strategy 	<ul style="list-style-type: none"> ROE: 6.3% or higher (FY2024) Positive Company-wide GVA (FY2024) Continuous structural reform initiatives

Special Feature: Fine-tuning Existing Businesses and Early Signs Toward Future Business




Yuji Hanaoka

Corporate Officer
President, Plastic Film Company

Fine Tuning Existing Businesses

Production Technology Innovation

At the Plastic Group's flagship Moriyama Factory, we mainly produce the shrink films used for labels on PET beverage and detergent containers. In 2019, around 1,200 tons of production scraps were generated during the manufacturing process, much of which was disposed of. Targeting the achievement of zero production scraps, what we refer to as zero waste, we therefore focused on recycling raw materials, introduced new recycling equipment, and increased our efforts to reduce production scraps. To expand these activities beyond the Moriyama Factory to two other domestic and three overseas factories, repeated online zero waste meetings were held. As a result, we were able to shrink production scraps to 400 tons in FY2023. In parallel with efforts to achieve zero waste in FY2024, the Moriyama Factory is promoting PIR^{*1}, a process by which client-generated production scraps are collected and turned back into raw materials. Looking ahead, we will also proceed with PCR^{*2}, which involves the collection of waste plastic within cities with the cooperation of our customers, local gov-

ernments, and local communities.

As part of our efforts to automate the lines installed within the Circular FactoryTM, we created a system by which a new line was arranged alongside an existing line and workers from the old line respond only in the event of an operational abnormality. Also, by automating the new line's upstream raw materials intake process and downstream product packaging process, a virtually unmanned line has been completed. The new line is also equipped with a function that automatically curbs the output of raw materials when manufacturing issues occur, thereby helping to minimize waste and paving the way for the unmanned night-time operations of the future.

There are also various ways to recycle film. Although the bar for recycling factory-generated pre-printed film waste is relatively low, the film waste generated by our client printing manufacturers requires a process to remove the ink (de-inking), which increases the amount of work and its degree of difficulty. It is already possible to recycle printed film by de-inking,

but there are issues with its cost. Going forward, we will work to reach our goals aiming to achieve both social and economic benefits.

^{*1} Post-Industrial Recycling. Collection and recycling of waste generated during manufacturing processes

^{*2} Post-Consumer Recycling. Collection and recycling of used waste in the market



Production waste recycling equipment

Product Development Innovation

Gunze's core technologies lie in the development of different types of laminated films. In particular, the hybrid shrinkable film made by laminating polystyrene (PS) and polyester (PET) has two properties—high shrinkability (attractiveness) and rigidity (film thinning)—and is therefore being widely used not only for PET bottles, but also for irregularly shaped containers and toiletry products that have poor heat resistance. Gunze has leveraged its strengths in the selection and processing of a wide variety of raw materials to develop distinctive films and create value.

However, recycling is made more difficult when a film made up of multiple different materials is separated into its individual components, so the trend toward mono-material films, which are made up of a single material to facilitate recycling, is becoming mainstream worldwide. On the premise of utilizing its multilayer-oriented film technology to that end, Gunze would like to resolve the recycling issue by establishing film

separation and recycling technologies.

The experimental equipment for separating different types of materials was completed in February 2024. In addition to recycling within the Company, in the years to come we will incorporate manufacturing waste generated by customers into our films to increase the recycled content rate of our products. We have already launched products containing recycled materials onto the market. At the end of FY2022, we launched GEOPLASTM HCT3, for which 30% recycled materials are used, and at the end of FY2023 we launched GEOPLASTM HCX1, the lightest in the industry with 5% recycled material content. Although the latter has a lower recycling rate, it is the lightest product in the industry thanks to the use of thin-film technology to reduce the amount of material used. We will also increase the recycled content rate and work to supply products made from 100% recycled materials by 2030. I would like us to use the Moriyama Factory as a model Circular FactoryTM and

apply our know-how to other production sites, thereby transforming ourselves into a circular manufacturer.



The experimental equipment for separating different types of laminated films



Beverage bottle labels for which GEOPLASTM HCX1 was adopted

The experimental equipment for separating different types of laminated films

Early Signs Toward Future Business

To Become A Circular Manufacturer

As a measure to promote and strengthen sustainable management, the Gunze Group is working to enhance new corporate value by transforming itself into a circular manufacturer.

As a pioneer in this field, we show examples below of some of the innovation efforts being undertaken in the plastic film business. We are currently working to deploy these initiatives horizontally at a Companywide level.

Our basic approach is to recycle waste generated from the Gunze Group's manufacturing activities through horizontal and cascade recycling, while aiming for in-house recycling. As a specific initiative, plastic waste generated from plastic film factories is recycled into raw materials through horizontal recycling. For items that cannot be recycled horizontally, we will adopt a cascade process to recycle items into plastic products used in other business divisions (such as the hangers, hooks and sewing thread cones in the apparel business) to promote recycling within the Company. We also cascade recycle discarded cotton and synthetic materials from apparel factories into mixed paper (paper made by mixing pulp with waste materials) and use that within the Company. Going forward, we will advance proposals for the widespread use of these materials in external products as industrial materials. We are also promoting the recycling of the chemical substances (such as organic solvents) used at each factory both inside and outside the Company. Having completed the system and mechanisms for the horizontal recycling of organic solvents, the Engineering Plastics Division is able to generate profits by means of in-house recycling and is already putting the system to practical use.

At the same time, the Gunze Group will accelerate its transformation into a comprehensive circular manufacturer as a sustainable company for the future by further promoting reduction and reuse in a bid to limit the amount of resources used in manufacturing.



Examples of circular cotton paper use

Special Feature: Fine-tuning Existing Businesses and Early Signs Toward Future Business



Katsuhiko Kimura

Managing Corporate Officer
General Manager, Engineering
Plastics Division

Engineering Plastics Business

Putting a Shine on Our Technologies Through Value Co-creation with Customers, and Offering Solutions Products

Over many years, the Engineering Plastics Division has offered components for OA equipment, including copy machines and printers, as its mainstay products. We have continued to expand together with the OA industry by working with user developers and designers, bringing shape to their needs in the form of one-of-a-kind products that set the industry-standard and possess a top-share of the market.

To this end, we made efforts to refine various processing technologies, and as a result, we now have a number of what can be referred to as proprietary technologies. Currently, we are leveraging these proprietary technologies to expand into areas other than OA, including the semiconductor manufacturing and medical equipment industries that employ engineering plastics, which are difficult to process. As a result, this has given rise to products that boast the top market share. In addition to these products, we will continue to work with our customers to co-create value and contribute to society by providing products that offer solutions to manufacturing line issues in various industrial fields.

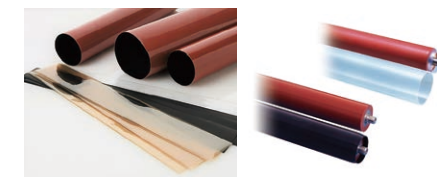
Fine Tuning Existing Businesses

Deepening and cultivating existing markets, customers, and applications

Exceptional heat resistance, chemical resistance, stain resistance, and other properties make engineering plastics ideal for processing into products such as shrink tubes and pipes, filaments and other items, contributing to labor and energy savings in addition to improving the performance, quality stability, and durability of various products in the industrial world. In resin tubes for OA equipment, in addition to excellent resistance against toner stains, we have fine-tuned product capabilities that other companies cannot match by earnestly responding to customer requests in such areas as the control of electrical resistance and shrinkage rates, for thin films, and for multi-layered products. These products are used in printers and office machines worldwide and have become the de facto industry standard. In medical applications, Gunze has continued to

market ultra-thin, high-shrinkage tubing for catheter manufacturing using its proprietary technology, which has seen a dramatic increase in use over the past several years. For various types of fluorine piping, such as those used in physical and chemical equipment, heat exchangers, and chemical plants, durability is required in harsh operating environments where rupture or leakage during use is not tolerated. In addition, semiconductor manufacturing equipment requires a more rigorous cleanliness of the pipe's inner surface, as well as greater dimensional stability. Taking the newly expanded clean plant operations as an opportunity, we will further improve quality and increase our production structure in response to market expansion. We are also expanding our lineup of various shrink tube products for use in ultra-high-voltage cable molding materials for power

grid installation, as well as roll covers, which are indispensable for labor-saving roll maintenance in paper and film manufacturing. These and other efforts demonstrate the progress we are making to discover, deepen, and cultivate new applications.



Resin tubes for OA equipment Roll cover products

Endeavoring to build new sales channels and applications

Engineering plastic products are used in a variety of industries and markets, and we are actively working to expand upon new sales channels and explore applications through collaboration among development, production, and sales. In the medical field, as a lateral expansion of ultrafine tubes into the catheter-related market, we have put forward the adoption of winding wire products that can add a dramatic degree of slipperiness to the surface layer of the wire that guides the catheter inside the body. That has led to a steady upswing in adoption, and going forward we will work toward its introduction to global markets. In the semiconductor market, where progress is dramatically improving performance due to the evolving capabilities of smartphones, PCs, electric vehicles, and AI-supported devices, there are increasing demands for cleaner materials and parts used in manufacturing equipment. For fluorine piping for chemical solutions and ultrapure

water, we have collaborated with customers to fundamentally review the facilities, layout, and quality control methods in their plants to improve the level of cleanliness of the manufacturing environment and reduce impurities contained in the products to the metal ion level, thereby differentiating them from competing products. At present, we have commenced official deliveries to multiple major semiconductor equipment manufacturers, and we expect this business to become a mainstay in the future. As far as functional woven fabrics for semiconductor filters are concerned, our traditional core product, we have flexibly kept track of the market's sustained growth and have significantly increased our shipment volume over the past few years. In order to ensure our strategy for further growth in the semiconductor field, we are building a system to boost production and are working tirelessly to improve the level of product quality. In addition, over the past few years,

as we have tapped into demand in decarbonization-related markets, we have made concerted efforts to meet the need for higher performance ion exchange membranes used during clean energy generation. Gunze is tackling these challenges in a completely new market by applying its proprietary fine wire spinning and weaving technologies as well as the collective strengths of its business divisions.



Fiber structural materials for filters Fluorine clean piping materials

Investing to upgrade our flagship factory

To support growth in the engineering plastics business, we will invest in the upgrading of our Konan Plant (Aichi Prefecture), targeted for completion in March 2025, to expand production in the medical and semiconductor fields where customer demand is expected to increase. The new building will serve to reduce CO₂

emissions through the use of a highly insulated building envelope and lighting, high-efficiency air conditioning, and photovoltaic power generation. We aim to achieve an environmental performance of B+ or better under the Comprehensive Assessment System for Building Environment Efficiency (CASBEE) certification.

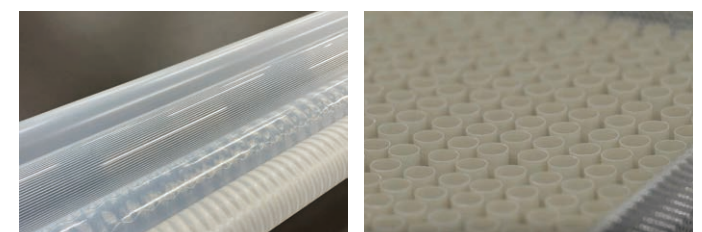


Conceptual image of the Konan Plant and completed new building

Early Signs Toward Future Business

Working to develop next-generation products

For years, products in the OA field have driven business in the Engineering Plastics Division. Meanwhile, the industrial field offers a wide range of applications, where we utilize our proprietary technologies developed in response to various customer needs as well as sales channels that we have carved out through the development of a wide range of applications to develop next-generation products. As examples, in fluorine resins there are the LED lamp covers, with controlled light diffusion, that incorporate decorative technology into the extrusion molding process; shrink tubing for molding carbon fiber composite materials used in aircraft and other applications, based on thinning and continuous stretching technologies developed for OA rolls; as well as ultra-high shrinkable tubing that can be adapted to a variety of irregularly shaped materials in the mobility industry. These efforts have expanded beyond fluorine resins to other super engineering plastic materials. Most notable of these are PEEK resins, which are characterized by their light weight, high heat resistance, and strength comparable to metal. Although extremely difficult to process, until now they had only been used in limited applications. However, as a result of R&D efforts in response to the need for lighter weight in certain consumer electronic devices, we have succeeded in mass production through continuous extrusion molding while maintaining the same strength and dimensional accuracy as metal. Currently, while making further improvements in production technology, including the development of processing equipment and the search for raw material alternatives, we are proposing wear-resistant measures for conveyor rolls in food processing and other areas in which metal should be avoided, and applications utilizing metal alternatives for precision parts that require non-corrosive materials. We will continue to target the sustainable co-creation of value with our customers. To this end, we will link the potential of engineering plastics to solutions to issues in the market by combining our proprietary technologies accumulated over many years and information networks obtained from our diverse sales channels.



Decorative tube for LED lamp covers

PEEK resin precision machined parts

Special Feature: Fine-tuning Existing Businesses and Early Signs toward Future Business



Shojiro Matsuda

Corporate Officer
Representative Director, President
GUNZE MEDICAL LIMITED

Medical Devices Business

Envisioning Success on a New Stage, and Taking the Next Step Forward

In April 2023, we launched a new framework in which the sales section of the Group's medical devices business and the R&D department, which includes the QOL Research Center, were integrated into GUNZE MEDICAL LIMITED through an absorption-type split to create a dedicated medical devices company that can comprehensively carry out operations, from R&D to sales. At the same time, the medical business became a new segment. This was a year when we solidified our foundation as an organization in which each employee engaged in the medical business possessed a keen sense of mission, namely, "Delivering a bright future to patients by providing innovative Biomaterials x Devices." In addition, by forming a more highly specialized sales structure, our academic sponsorships and sales activities have become invigorated, and I feel that Gunze's medical business has an increasingly high profile in the medical industry. Here I would like to introduce how we are taking a step forward, looking out to where GUNZE MEDICAL can demonstrate success on a new stage. In FY2024, we are constructing a new factory and R&D facilities. Bearing the responsibility of being a driver of growth for Gunze, we are endeavoring to strategically expand business based on a domain-specific portfolio, swiftly develop and introduce new products, and increase production capacity to meet strong demand. Moreover, we will tackle the challenges of building a quality framework that addresses global needs and will promote our business with the aim of one day becoming a leading medical devices maker in Japan.

Fine-tuning Existing Businesses

Commenced floor area expansion at the first Ayabe plant and construction of the third Ayabe plant

The medical business's mainstay products are produced at the Ayabe Plant, where Gunze was first established. The current first plant in Ayabe was constructed in 1998, and 2024 marks the 26th year since its founding. Initially, we only utilized one part of the three floors, but spurred on by sales to China from 2003, we have seen increases to production volume every year, and today we barely have the space to place our products. In 2023, we worked to expand floor space at the first plant, and are pushing forward on construction with completion slated for September 2024. Moreover, we are introducing automation and labor-saving equipment looking to expand future production, and expect to complete a continuous processing and automated packaging line for bioabsorbable reinforcement felts, which is expected to be completed during FY2024. Meanwhile, we have begun construction of a third plant on the Registered Head Office (Ayabe) site to increase production of

absorbable adhesion barrier sheet, which we launched in March 2024. Also, at this third plant we are progressing toward the deployment of a labor-saving line, and we are making plans to complete the plant in February 2025 and start operation in the first half of 2025. Looking ahead, in support of the medical business, the Ayabe plant will serve as our core factory that expands production capacity and enables highly efficient production through automation and labor-savings. Every factory member has the pride to think that "the medical devices we manufacture here are saving the lives of patients," because we want this to be a factory that makes safe and secure products that are delivered in a timely manner to patients. We will continue to aim for a plant that supports a bright future for patients.



Conceptual image of the third plant and R&D facilities after completion



Conceptual image of the first plant's expanded floor area after completion

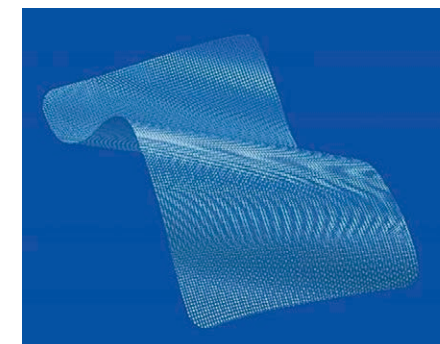
Development and marketing of absorbable adhesion barrier sheet, the medical business's new mainstay product

When postoperative organ adhesions occur, the result may be decreased organ function. In addition, with advances in medical technology, more and more patients are undergoing multiple surgeries over their lifetimes. Strong adhesions increase the degree of surgery difficulty, prolonging the operation and increasing the risk of organ damage. On the other hand, recent years have seen the number of laparoscopic surgeries increase year by year owing to their smaller surgical incisions and less burden on patients' bodies, and there is a demand for adhesion barrier sheets that can be easily used even in laparoscopic surgeries.

At Gunze, we have been advancing research on anti-adhesive technology that leverages bioabsorbable materials since the 1990s. Based on the results of this research, we found that gelatin is effective as an anti-adhesive material among bioabsorbable materials, and have endeavored to develop a sheet-type anti-adhesive absorbent barrier using gelatin as the primary material. We have developed a unique surface processing technology to

make products easy to manipulate through the small incisions made in laparoscopic surgery. The sheet's surface is given a finely irregular shape to achieve three characteristics suitable for laparoscopic surgery: (1) an excellent ability to manipulate, with the flexibility to be rolled into a thin, cylindrical shape, yet with the right amount of firmness to be easily inserted; (2) tissue compatibility by gelling with moisture in the abdominal cavity; and (3) a moderate adhesive strength that allows its position to be adjusted after application.

With the cooperation of numerous physicians, we obtained manufacturing and marketing approval for absorbable adhesion barriers through clinical trials, and in March 2022 launched it in the market. These product characteristics have been well received, leading to better-than-expected sales performance. In the future, we will nurture this as a new mainstay product for Gunze and tackle the challenge of expanding not only domestically but also globally.



Absorbable adhesion barrier sheet

Early Signs toward Future Business

Initiating steps to bolster our R&D facilities Promoting clinical trials for regenerative medicine

As part of efforts to strengthen its R&D structure, the medical business has commenced construction of an R&D facility (interactive floor) that will allow for the exchange of technical personnel and offer a space of comfort and creativity. In addition, in order to deliver medical devices to the medical field as quickly as possible, we will establish a new development and prototype line in the existing second factory, which will strengthen our ability to develop next-generation products and efficiently launch mass production. Bioabsorbable materials used as sutures and other medical devices in clinical settings are also being researched and developed for new applications in the field of advanced medicine. Gunze is also engaged in research and development of bioabsorbable vascular regeneration base materials and meniscus regeneration base materials, thus laying the foundation for regenerative medicine. The vascular regeneration substrate is a bioabsorbable artificial blood vessel used in surgery for the congenital heart disease "single ventricle syndrome." Pediatric patients are thought to be the primary recipients. At present, our goal is to market this product in the U.S., and we have advanced to the clinical trial stage that will confirm efficacy and safety. The meniscus is a tissue that acts as a cushion for the knee, and once damaged, it was thought to be incapable of healing. Using Gunze Medical's core technology of processing bioabsorbable materials, we are developing a meniscus regenerative base material that initially serves as a cushion for the knee, but gradually regenerates as self-organized tissue. Currently, we have completed an exploratory clinical trial and are aiming to conduct a validation clinical trial in FY2025. Our efforts to develop new products are ongoing as we will provide surgical patients with a bright future.



Conceptual image of R&D facilities

Financial Capital Strategy



The financial strategic issue of the Medium-term Management Plan VISION 2030 stage1 is to improve Gunze Value Added (GVA) by balancing investment in growth businesses and sustainable areas like the environment investments with capital cost reduction, while maintaining a strong financial base. We are strengthening profitability management in terms of invested capital while working to restructure low-margin operations and downsize assets. Since last year, there has been strong demand for accountability regarding management focused on the cost of capital and stock price. We will formulate financial strategies looking beyond VISION 2030 stage2 by further refining the aforementioned initiatives.

Results Evaluation

On a consolidated basis, Gunze reported net sales of ¥132.8 billion, down 2.7% compared with the previous fiscal year and 5.1% below forecasts. From a profit perspective, operating profit came in at ¥6.7 billion. Despite a ¥0.9 billion increase compared with the previous fiscal year, this was ¥0.7 billion lower than forecasts. Ordinary profit totaled ¥6.7 billion, up ¥0.7 billion year on year but ¥0.7 billion below forecasts. Net profit was ¥5.1 billion, up ¥0.6 billion year on year and ¥0.3 billion compared with forecasts. While falling below forecasts with the exception of net income, each profit accounting line item increased year on year despite lower revenue. The decrease in net sales year on year was largely due to a drop off in sales from the development of the former factory site in the life creations business in the previous fiscal year. Overall, materials-related businesses were affected by customers inventory adjustments and reduced use of plastics, while apparel-related businesses suffered in terms of volume due to consumer spending restraints and unfavorable weather. Operating income was negatively impacted by lower volumes, high raw material prices in materials operations and the yen's depreciation in the apparel business. However, this was offset by price increases and cost reductions. By segment, the functional solutions business posted

operating profit ¥6.0 billion (down ¥0.8 billion from the previous fiscal year) due to a sharp decline in demand especially in the plastic films field, while the apparel business turned profitable at ¥1.4 billion (a ¥1.6 billion improvement from the previous fiscal year), after posting a loss of ¥0.2 billion a year earlier, due to product price increases and production restructuring. In the medical business, profits fell slightly despite sales growth because of higher costs from investing in human capital to expand operations. As part of our business restructuring activities, in the electronic components field, following the transfer of the film business in the previous fiscal year, we concluded a share transfer agreement for our Chinese manufacturing subsidiary in the touch panel business and decided to withdraw from the business by the end of September 2024, including commercial rights in Japan and the United States. In addition, the Company recorded a total of ¥2.8 billion in extraordinary losses, which include the closure of an Indonesian socks manufacturing subsidiary and the decision to close and streamline unprofitable sports club outlets. Elsewhere, the impact on net income was minimal due to capital gains of ¥2.0 billion from reductions in cross-shareholdings and a tax benefit of ¥2.5 billion on the impairment of investments in subsidiaries.

FY2024 Forecasts

The outlook remains uncertain due to rising prices driven by high raw materials and fuel prices, the impact of the yen's

depreciation, and concerns about overseas economic slowdowns. Taking these business risks into account, we have

proactively factored into our 2024 earnings forecasts the recovery of materials-related markets, efforts to improve productivity through automation and DX, strengthening of cost competitiveness through a globally optimized production system, expanding of our raw materials procurement network and reductions of costs, increases in sales through new value creation activities that identify various changes in the market, and the boost from business structure improvements implemented up to the previous fiscal year. In the functional solutions business, we target increases in sales of 1.5% year on year and profits of just under ¥1.2 billion, taking into account the active launch of new environmentally friendly products in the plastic films field and the full-scale operation of our Circular Factory™ (resource recycling facility), as well as an expansion in the share of products for the OA market in the engineering plastics field, increased demand in the medical and semiconductor fields, and the impact of our withdrawal from the electronic components field. In the medical business, we target a 11.1% increase in

sales and a little over ¥500 million increase in profits, factoring in higher sales of existing products due to plant expansion, increased demand for adhesion barriers, and growth in China and the United States. In the apparel business, we target increases in sales of 8.5% and profits of more than ¥400 million, despite the expected weak yen, by expanding D2C routes and increasing sales of ladies' innerwear through differentiated new products, and lower costs by establishing a globally optimized production system. In the lifestyle creations business, we target a slight increase in revenue of 0.6% and a rise of slightly less than ¥300 million in income based on the expected rise in profitability of commercial facilities, benefits from structural improvements in the sports club field, and expansion of mainly school operations. In overall terms, net sales are forecast to total ¥140 billion (up 5.4% compared with the previous fiscal year), operating income ¥9 billion (an increase of slightly more than ¥2.2 billion year on year), and net income ¥7.5 billion (an increase of slightly less than ¥2.4 billion year on year).

Financial Strategies and Key FY2023 Initiatives under VISION 2030 stage1

In FY2023, fund procurement in U.S. dollars was restructured to control the cost of debt. The Gunze Group used a Hong Kong-based controlling company with low procurement costs to raise U.S. dollar-denominated funds in lump sums and manage them. However, financing costs, which had not changed significantly for a long time, began to rise in February 2022, and by the end of FY2022 were approximately nine times higher than before. After considering the future direction of the Company, we decided to liquidate the controlling company and transfer the control functions for fund procurement in U.S. dollars to the Japan head office in February 2023 based on the main business of the controlling company having met certain goals. Upon the transfer, we decided that part of the Company

would be funded directly from outside sources taking into consideration foreign currency regulations and transfer pricing taxation in each country. In addition, capital increases were carried out for part of the Company to optimize its capital structure. The capital increase was funded by cash generated from the sale of cross-shareholdings and cash position revamps, so the capital increase did not result in any increases in interest-bearing debt or debt costs. As a result, the Group's cost of debt for FY2023 was 1.70% (a decrease of 0.14 percentage points from the previous year). In FY2024, overseas procurement costs remain high, while domestic procurement costs are rising due to changes in the Bank of Japan's monetary policy. We will continue our Group-wide efforts to control debt costs.

GVA* / ROIC

*GVA (Gunze Value Added): Gunze's original indicator

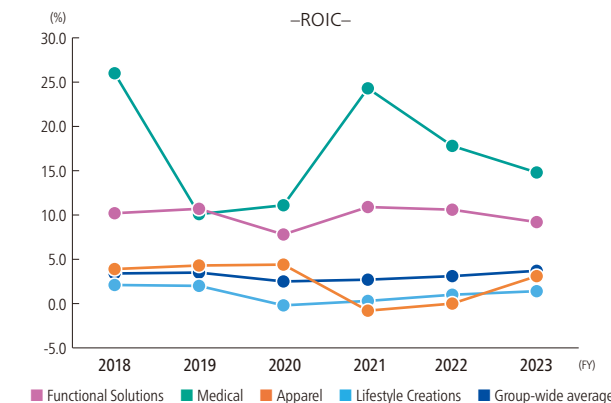
GVA for FY2023 came to a loss of ¥1.6 billion (improvement of ¥0.8 billion year on year and ¥0.5 billion below forecasts). While operating income was as mentioned above, invested capital was ¥129.4 billion (down ¥3.7 billion year on year and ¥0.3 billion above forecasts), mainly due to the sale of cross-shareholdings and despite foreign assets increasing more than expected mainly due to foreign exchange effects. The reduction of cross-shareholdings proceeded smoothly in FY2023. At the end of FY2023, we held 32 stocks, representing 4.34% of net assets. In FY2024, we plan to reduce our holdings to 27 stocks or less, representing less than 3% of net assets. The cash generated from the sale will be used for investment in plant expansion to increase production in the engineering plastics field and medical business. Next, we look at conditions by segment. The Gunze Group

began cost of capital-based management in FY2019 and has been working to increase Group returns on capital, resulting in changes in the composition of the Group's total assets and returns on capital of each segment. Looking first at total assets, we have been working to reduce cross-shareholdings and low-profit assets, while simultaneously investing heavily in the functional solutions and medical businesses, both of which have been positioned as growth businesses. As a result, total Group assets were reduced by ¥7.6 billion to ¥162 billion compared to the period immediately prior to the start of capital-based management (end-FY 2018). The share of functional solutions and medical businesses in total assets increased from 28% to 41%. The total assets of the medical business, which has particularly high growth potential, have increased around threefold.

Financial Capital Strategy

Turning next to ROIC, the latest ROIC for the functional solutions business has fallen to the 9% range due to sluggish sales in the plastic films field and the impact of investment in the Circular Factory™, but we expect it to recover to the 10% range in FY2024. Although ROIC is declining in the medical business due to investments in human capital and equipment, we consider the current level to be within an acceptable range, as a temporary dip during the growth process. ROIC deteriorated in the apparel and life creations businesses due to the pandemic depressing profits, but restructuring has improved profitability, and we expect ROIC to recover to pre-COVID-19 levels in FY2024. Currently, the main issue is to return the apparel and life creations businesses to GVA profitability. We believe that the apparel business can return to GVA profitability if restructuring is pursued further and the currently abnormally weak yen corrects to an appropriate level. On the other hand, in the lifestyle creations business, we believe it is necessary to go one step further to improve profitability, not only by closing unprofitable outlets in the sports club field, which we are currently working on, but also by restructuring the real estate field, where we have a large capital investment.

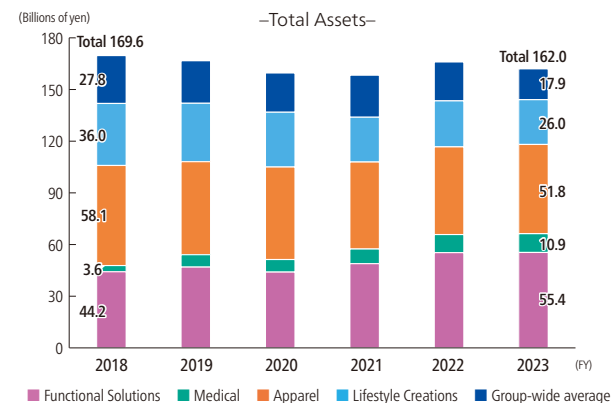
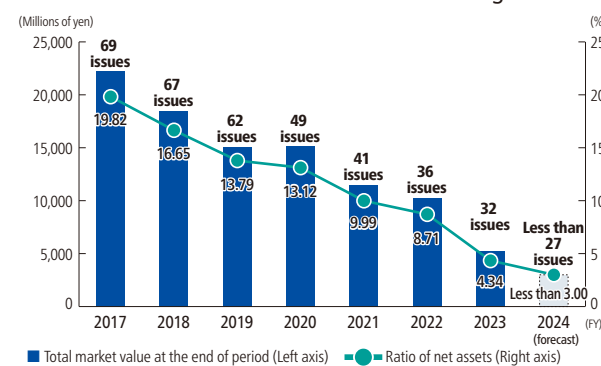
ROIC and Total Assets



ROIC: After-tax operating profit (operating profit x (1-30%)) ÷ invested capital
*All on a managed basis

Another issue is the lack of improvement of the Cash Conversion Cycle (CCC), which has been deteriorating since the pandemic. In particular, we will strengthen measures for inventory turnover, including GVA positive divisions (= ROIC management division). For GVA positive divisions, the focus will be on maintaining and improving ROIC based on peer group standards. Internal management indicators are linked to individual operations through development of the ROIC tree in an effort to raise member awareness of capital profitability.

Promotion of the reduction of cross-shareholdings



GVA / ROE Results and Forecasts

(Unit: Billions of yen)

	FY2018 (fiscal year ended March 2019)	FY2019 (fiscal year ended March 2020)	FY2020 (fiscal year ended March 2021)	FY2021 (fiscal year ended March 2022)	FY2022 (fiscal year ended March 2023)	FY2023 (fiscal year ended March 2024)	FY2024 Target (fiscal year ending March 2025)
Operating profit	6.6	6.7	4.6	4.8	5.8	6.7	9.0
Invested Capital	137.3	134.2	132.7	125.8	133.1	129.4	131.0
GVA*	-1.9	-1.6	-3.1	-2.6	-2.3	-1.6	Companywide return to profitability
ROE	3.7%	4.0%	1.9%	2.6%	3.9%	4.4%	6.32% or higher

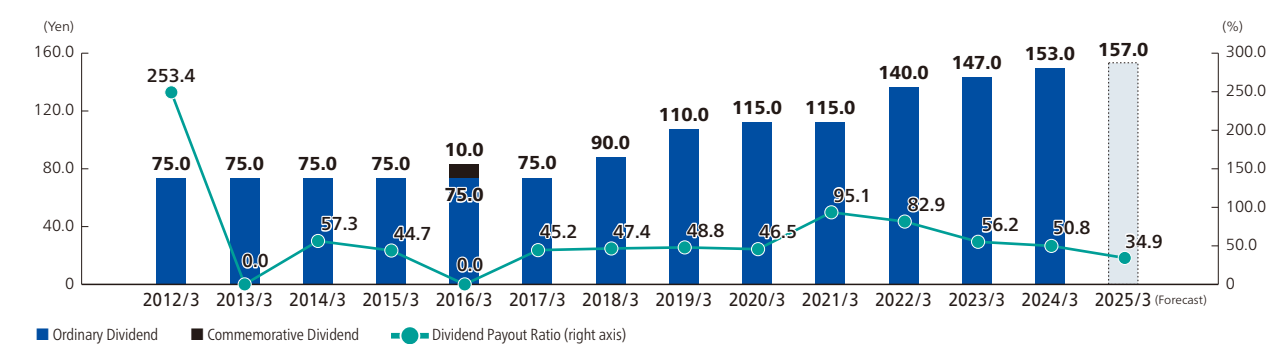
* Gunze Value Added (GVA) = (NOPAT + dividends) - (period-end invested capital (total assets - non-interest-bearing debt)) x WACC

Pursuing an Optimal Shareholder Return Strategy Focused on Capital Costs

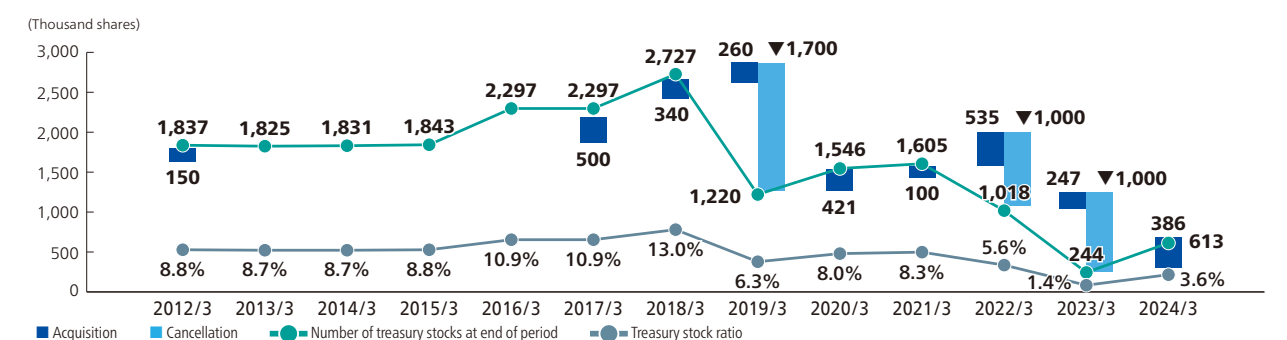
The Gunze Group positions the return of profits to shareholders as an important management policy and, in VISION 2030 stage1, aims to maintain a total return ratio of 100%

until ROE exceeds the cost of shareholders' equity. This is because our policy is to improve the return on capital by increasing earnings, and we have determined that in order

Dividend per Share, Dividend Payout Ratio



Treasury Stock



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

to maintain and improve our financial soundness, we do not need to hold more shareholders' equity than we currently do. Consequently, even after achieving an ROE that exceeds the cost of shareholders' equity, we may be able to continue returning profits at current levels as part of our capital policy. The primary method of returning profits to shareholders will be stable and continuous dividends based on DOE, with the remainder being returned through share buybacks. The standard DOE is set at the lower limit of 2.2%, the median of the profit return of companies listed on the

First Section of the Tokyo Stock Exchange at the time of its establishment (according to a securities company survey), but we believe that the dividend payout ratio level needs to be reviewed to reflect future profit growth. In light of the risk that excessive share buybacks may increase the cost of shareholders' equity due to reduced liquidity of shares, we will consider the optimal balance between dividends and share buybacks, taking into account the Gunze Group's financial position and shareholder composition, revising the policy as necessary.

Next Medium-term Management Plan and Equity Spread Maximization

Gunze Group PBR at the end of FY2023 was 0.8x, continuing to impair corporate value. While there are many factors behind this low PBR, we believe the main factor is a negative equity spread, in other words ROE being less than the cost of shareholders' equity. Under VISION 2030 stage1, the cost of shareholders' equity has been set at 6.32%. However, we believe that an ROE of at least 8% is necessary to create an equity spread that will satisfy shareholders based on our most recent estimates, which take into account dialogue with investors and the state of interest rates in Japan and overseas. If we aim for an ROE of 8%, we would need to increase profits by more than 1.3 times compared with our profit forecasts for FY2024. To that end, we will make aggressive investments to achieve early business

growth. Considering factors such as the cost of capital and the most recent level of the net debt-to-equity ratio, we believe that investment should be financed with debt. With financing costs rising both domestically and overseas, however, we believe it is necessary to be more selective in our investments than before and to carefully examine the amount and duration of fund-raising based on the impact on ROE. Based on the recent rise in interest rates, we plan to review our debt costs, shareholder's equity costs, and WACC in our next medium-term management plan. We will strive to maximize GVA and equity spreads by pursuing an optimal capital structure and cash allocation in terms of profit levels, financial soundness, and capital efficiency.

Human Resources Strategy

Gunze's Efforts to Increase Engagement



Makoto Ogura

Corporate Officer
General Manager,
Personnel & General
Affairs Department

The Gunze Group's basic human resources strategy approach under the Medium-term Management Plan VISION 2030 stage1 is outlined as follows.

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.

Based on this strategy, 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. In tune with our human resources management policy, we are advancing initiatives that emphasize the three pillars of diversity, autonomy, and success. In pursuing these initiatives, we first conducted an engagement survey in 2022 to clarify the status and conditions surrounding employees and the organization. Over the ensuing two years, we have taken steps to verify the survey's effectiveness.

While yet to achieve our established goals, Gunze's strengths and challenges have become abundantly clear. The scope of the survey is extensive and covers the Company's structure. Elements extend from workplace relationships to the health of employees. Naturally, the challenges that we face cannot be resolved by a single one-to-one initiative. While currently promoting the following measures, we believe that the fruits of our endeavors will be felt in the future.

With a target date of FY2026, we plan to undertake a fundamental reform of our personnel system. At the same time, we will closely monitor conditions at each workplace and take steps to foster an open and comfortable environment. Our goal is to become a company of choice in society by enhancing employee motivation and engagement and maximizing the human capital of the GUNZE Group.

Materiality, KPIs (FY2024 – FY2030 Targets)

Category		Indicator	FY2023		KPIs FY2024 Targets	FY2030 Targets
			Targets	Results		
Evolution of Corporate Constitution	Promoting women's active participation	• Ratio of women in managerial roles	5.0%	7.0%	Over 6%	Over 20%
		• Ratio of women employees	34.0%	33.8%	35%	41%
		• Ratio of women new graduates hired on a main career track (excluding those working rotating shifts)	50.0%	51.9%	50%	50%
	Child-rearing support	• Men's paternity leave utilization rate	40.0%	42.0%	50%	70%
	Corporate culture reform	• Engagement score	64 points (estimate)	62 points	70 points (estimate)	80 points (estimate)
	Work-style reform	• Annual leave uptake	75% (15 days)	74.5% (14.9 days)	75%	100%

Engagement Score

Engagement is a measure of the relationships of trust between employees and companies and the willingness of employees to contribute by exercising their strengths. Examples show that increased engagement has a direct impact on improving an organization's productivity as well as a company's performance. The Gunze Group conducts a monthly survey on 9 key drivers and 26 associated subsets, utilizing the quick-response Pulse Survey method, in order to quickly grasp the status of the organization in a rapidly changing business environment. Utilizing the average of other companies in the same industry and of the same size that employ this survey tool as a benchmark, we aim to improve our overall score to within 20% of the top companies in FY2024 and within 5% of the top companies in FY2030.

Gunze's Strengths and Challenges Based on Engagement Scores

Engagement Analysis (Main Items)			
Areas of strength	Satisfaction with salary	Pride in the Company's business and services	Cooperation between divisions
Areas with challenges	Providing career opportunities	Satisfaction and motivation	Relationship with manager

Engagement Improvement Framework



Toward a Comfortable Workplace Environment

Gunze positions a people-oriented approach at the heart of its management philosophy. Based on this approach, we are promoting the following initiatives with the aim of fostering a corporate culture in which all members can fully demonstrate their abilities while having a genuine sense of satisfaction.

1. Personnel compensation system reform

The environment surrounding the corporate sector is changing rapidly of late owing to the diversification of work styles and promotion of human capital management. Since the current personnel compensation system was established in 2001, Gunze has undertaken a succession of individual reviews in response changes in its operating environment. In order to further enhance our corporate value by securing and retaining outstanding human resources, and to become a healthy and visionary company, we are working toward the implementation of a fundamental reform of our personnel compensation system, which extends well beyond a mere extension of its current form, in FY2026. Recognizing that the new system will take effect in FY2026, we are undertaking a partial revision of

the current system focusing mainly on the early realization of career autonomy from FY2024.

We will grow the Company by nurturing personnel who can accept different values, think and act on their own initiative, provide value in their areas of expertise, and by providing them with opportunities to play an active role.



2. Work-style Reform

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.

In addition, we are looking to shorten scheduled working hours and improve the annual paid leave utilization rate to reduce the total number of actual working hours each year. From FY2024, we are increasing the number of annual holidays at production sites with varying numbers of days off, as well as making childcare leave partially paid.

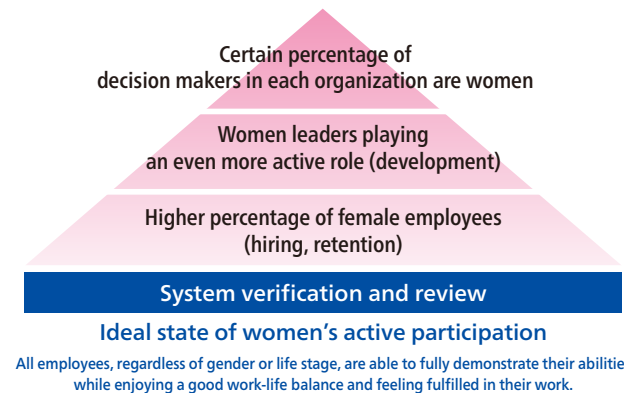
3. D&I Promotion

The Gunze Group regards diversity and inclusion as one of its most important human resources strategies. In this regard, we recognize that women's active participation is especially important. In order to realize a state in which a certain percentage of decision makers in each organization are women, we are working to enhance the number of women in career-track positions as well as develop leaders.

(1) Develop and put in place a system to promote women to leadership positions (GLSL: Gunze leadership school for ladies)

The Gunze Leadership School Ladies (GLSL), a career development training program, was introduced in FY2022 with the aim of retaining and developing female leaders. The GLSL aspires to provide opportunities to better understand the Company's expectations toward women's success and to build an independent career while visualizing a career image. The goal is to encourage women to view "becoming a manager" as a positive option in the future.

Promotion of Women's Empowerment (Conceptual Diagram)



Participants in GLSL training

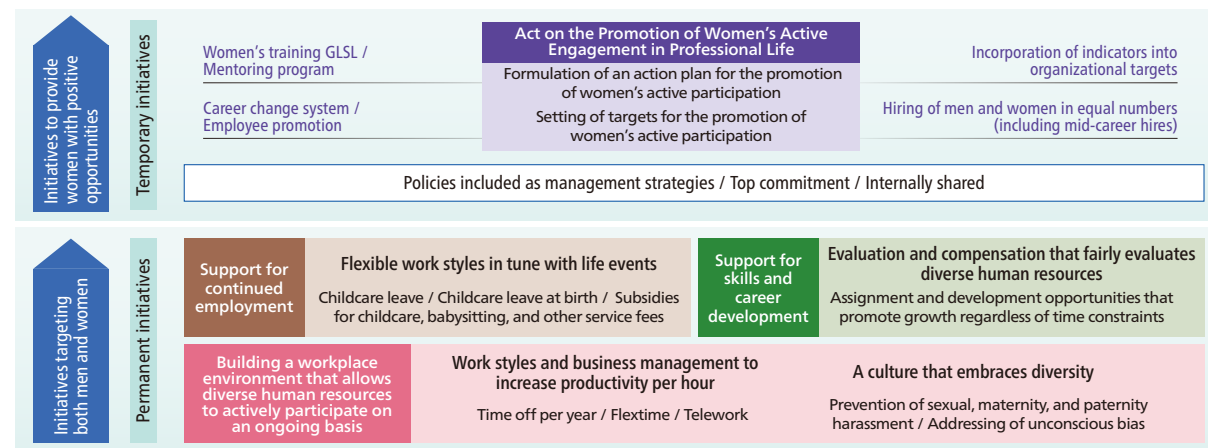
(2) Mentoring program

First introduced in FY2013, we continue to promote our mentoring program. In addition to creating opportunities for female main career and regional career track employees to meet senior employees of the same gender (mentors) and build networks, and preventing the turnover of young to mid-career female employees, this program is designed to support the career development of women while taking into consideration the need for work-life balance. Recognizing the importance of diverse perspectives, we have added senior male employees to the list of candidate mentors from FY2024.

Number of Mentor Program Participants

	FY2019	FY2020	FY2021	FY2022	FY2023
Results	17	11	9	7	8

Map of Initiatives for Women's Active Participation

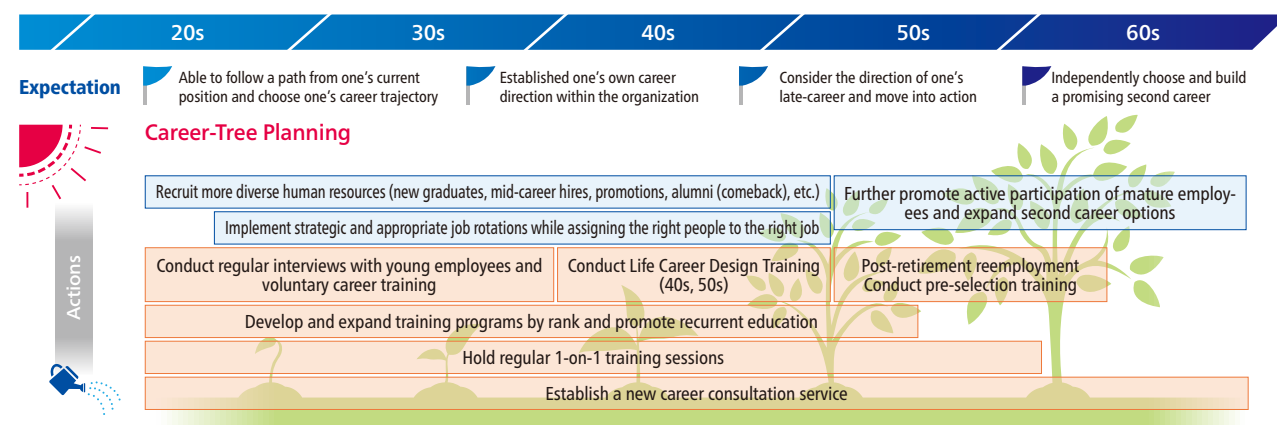


4. Career Autonomy Promotion

Against the backdrop of an uncertain current outlook, we recognize the need to engage in human capital management that regards human resources as "capital," and the urgency involved in developing human resources who are conscious of their own career and are prepared to act autonomously. Only in this way can we enhance our corporate value.

The Gunze Group encourages each and every employee to pursue diversity and to act on their own initiative in order to realize a career that makes the most of their strengths. In addition to supporting their career development as a company, we strategically assign the right people to the right job.

Carrier expectations in each age group and problem-solving approaches



(1) Implement strategic and appropriate job rotations while assigning the right people to the right job

We initiated Human Resource Share personnel exchange meetings as a forum through which each division can share information on human resources from 2023 and to expand opportunities for individual-led transfers that facilitate autonomous career planning.

(2) Support proactive career development

The Gunze Group has upgraded and expanded a variety of opportunities in an effort to support proactive career development.

Upgrade and expand career training

The Gunze Group has a high percentage of senior employees. As such, the need to ensure that its senior employees are able to work energetically and demonstrate their skills is an important human resource issue. With this in mind, we have upgraded and expanded training opportunities at the age of 40 and 56 in addition to existing programs at the age of 50. Moreover, self-development support programs, including distance learning, which was previously limited to regular permanent employees, have been upgraded and expanded to include post-retirement rehired employees

5. Increasing awareness toward management participation

Attended by a total of 130 participants at five locations nationwide, the "Let's create the future!" workshop is a forum to deliberate on long-term strategies. In specific terms, the workshop is an opportunity for the younger generation, who will lead the next generation, to participate in management with an eye to the future based on their vision of themselves and their companies 30 years from now. The workshop provides participants with a sense of the connection between individuals, companies, and society from the perspective of resolving issues. In providing the opportunity to deliberate on one's own awareness (Will) and the Company's mission (Must), the workshop allows participants to take personal ownership

and contract employees to enhance reskilling and recurrent education opportunities.

Promoting widespread acceptance and use of 1-on-1 meetings

The 1-on-1 meetings introduced in 2022 are used to foster psychological safety by increasing opportunities for communication between managers and meeting participants and strengthen trust. Building on this foundation, 1-on-1 meetings provide a place to support growth. Two years have now passed since introducing 1-on-1 meetings. Based on the verification of issues, Gunze is promoting a raft of improvement initiatives while also taking into consideration methods that mirror the Company's unique business structure and systems. In this way, we are working to promote the widespread acceptance and use of 1-on-1 meetings.

Upgrading and expanding the career counseling system

Human resources staff are encouraged to obtain career-related certifications. In this vein, the Gunze Group has strengthened its career-related support structure and systems. Established in May 2023, the Career Support Desk helps resolve a variety of work-related issues, including career development, human relations, and skills development. As of April 2024, the Desk responded to 11 requests, and will work to promote further expansion of its use.



The "Let's create the future!" workshop on long-term strategies

Education and Training Systems

	Stratified training			Other general education		Self-education support
	Young employees	Next generation leader training	Management executive development	By course / job type	Career development support	
Corporate officers			Leadership School III		Career training at the age of 56	Distance learning, E-learning, recurrent education training Support system for qualification, language acquisition
Managers		Leadership School II			Life career design training at the age of 50	
Mid-career employees		New manager training			Life career design training at the age of 40	
Young employees		Leadership School I				
3rd year of employment		Leadership school for ladies		General employee training II General employee training I General employee training B	Training for younger training staff	Career design training
2nd year of employment						
New employees	Follow-up training at the end of 3rd year of employment			Experimental design IE basic training QC basic training Other		
	Follow-up training at the end of 2nd year of employment					
	Training at the time of career hiring New employee training (At the time of hire, six months later, and one year later)					

Research and Development Strategy



Creating value by developing fundamental technologies that drive the evolution of core technologies

Tomohisa Okuda

Director and Corporate Officer
General Manager, Technology & Development Department
In Charge of Technology and Research Development

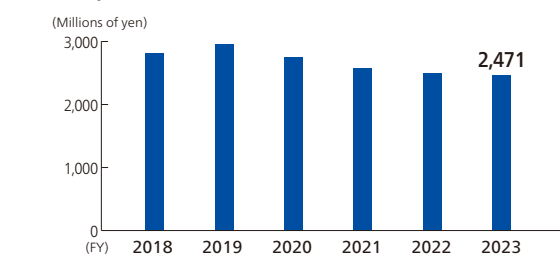
The Gunze Group has continued to provide customers with a wide array of products by engaging in research and development grounded in the fundamental technologies of fiber processing, resin processing, and "manufacturing technology x equipment development."

Starting from our origins in the yarn manufacturing industry, we have developed fiber processing technologies while working to promote our apparel business. Drawing on our strengths, today, we are advancing the development of new products while utilizing the knitting, dyeing, sewing, and fiber modification technologies that we have cultivated over many years in each of our businesses.

As a part of efforts to expand our portfolio of fundamental technologies, we have also developed resin processing technologies that support the functional solutions business through dispersive mixing and multilayer molding, based on melt extrusion molding. Furthermore, we have commercialized medical devices that reduce the burden on patients

by using bioabsorbable resins as raw materials and utilizing resin processing and fiber processing technologies. As far as production is concerned, by combining these processing technologies with sensing and other technologies, we have developed proprietary processing techniques and

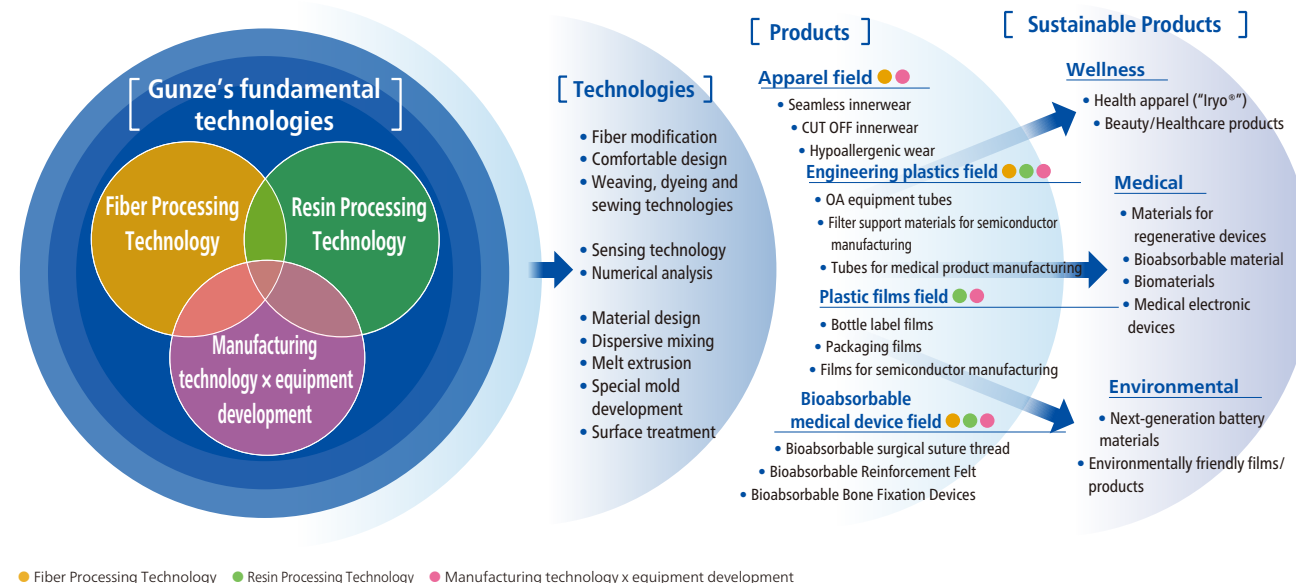
R&D Expenses



R&D System

<https://www.gunze.co.jp/english/technology/organization/>

Innovation through processing technologies



production equipment to ensure further stability from a quality perspective and to realize highly value-added products. In addition to the development of products by the development departments of each business division, the Gunze Group's current R&D activities include the development of new value-added products and technologies as well as the innovation of production technologies by the R&D and Technology

The Creation of New Value

Under our Medium-term Management Plan VISION 2030 stage 1," the Company is engaged in research and development of the health apparel ("Iryo") and functional films. Under stage 2, we will continue to engage in a wide range of R&D activities in a bid to provide new value to our customers. MediCure®, a wellness and health category product brand designed to improve customers' quality of life (QOL) by reducing skin irritation, is gaining recognition for its value in relieving pain after surgery. We will continue to deepen our collaboration with local governments, medical institutions, nursing care facilities, and other companies to promote the development of "Iryo" as a part of efforts to alleviate specific concerns. Moreover, we will work diligently to develop

Development departments. Looking ahead, we will continue to develop the fundamental technologies that support our business while pursuing the further evolution of our core technologies, which are the source of our competitive advantage. Meanwhile, we will continue to tackle the challenge of creating new value by combining proprietary and external technologies.

medical devices and components for use in hospitals, and for home health and nursing care, utilizing our plastic molding technology to help improve the QOL of our customers. Targeting the semiconductor and automotive industries, we will work to increase the sophistication of our plastic molding, multilayer-oriented film, and dispersive mixing technologies that we have nurtured to date, and promote the development of environmentally friendly industrial material films that improve process efficiency, reduce process loss, and are designed to be recyclable. Building in these endeavors, we will actively promote R&D activities that lead to technological innovation to help create new value in our existing business divisions.

Column Interactions with external institutions

We actively promote interactions with external institutions in an effort to educate ourselves and to remain abreast of new information and technologies, while working to secure the continued evolution of our technologies and expansion of opportunities for their use.

Interaction with academia

—Academic paper on "Acetylation of cotton knitted fabrics for improved quick drying after water absorption"—

In November 2023, the Company presented a paper at the Society of Fiber Science and Technology, Japan, where we discussed the properties of modified cotton fabrics and analytical techniques in front of a large audience.

(Presentation in the Society's publication)

Acetylation of cotton knitted fabrics for improved quick drying after water absorption. S. Onodera, et al. Cellulose; 25 March, 2024



Presentation at the Society of Fiber Science and Technology

—Lecture on "Application of Absorbent Polymeric Materials in Medical Devices"—

In October 2023, Senior Researcher Yamauchi of our Research & Development Department, served as a lecturer in a class at the University of Tokyo's Faculty of Engineering. This class is designed with the goal of deepening students' understanding of the scientific fundamentals and applications of materials through lectures on the diverse industrial applications of materials and their peripheral technologies, with a focus on industrial and economic fields.



Lecturing at the University of Tokyo

Interaction through participation in exhibitions

—Participating in the 10th Medical Japan Osaka Exhibition—

In January 2024, we introduced our latest initiatives under two themes: "Medical Products Using Functional Films" and "Health Clothing Therapy Using Textile Technology."



An exhibition bustling with a crowd of visitors

—Exhibiting at Medtec Japan 2024—

In April 2024, we exhibited our "ultrasonic examination-use sheet" and "irregularly shaped tube," currently under research and development, at an event that brings together suppliers in the medical device industry engaged in the design and manufacture of medical devices, with people involved in research and development at medical device manufacturers in Japan and abroad.



Staff providing an explanation at the booth

IP and Legal Strategy

Legal and IP Affairs as Companions in Business



Hiroko Yoshika

Corporate Officer,
General Manager,
Intellectual Property/
Legal Department

Creating quality products and services and delivering them to those who place their trust in Gunze is the role of the Company as a whole. Assuming that is the case, it is my belief that it is the role of the Intellectual Property/Legal

Department to arm itself with the law and technologies to increase the Company's competitiveness and enable it to respond to societal demands through honest business. As the SDGs and human rights are gaining global attention, it has become increasingly important to not only go beyond simple compliance with laws and regulations, but also to meet the needs of all stakeholders. Behind every new product that makes a spectacular debut, every staple product that has been used for many years, and the services we provide to our customers, lie in our efforts to comply with laws and ethics as well as technologies backed by strong intellectual property (IP). In the years to come, the Gunze Group will continue to provide its customers with superior products and services underpinned by those efforts and its technological capabilities.

IP as Intellectual Capital that Can Support Business Diversification

The five pillars of our IP strategy are: technological innovation; ensuring competitive advantage; risk management; open innovation; and the fulfillment of our social responsibility. It is by these means that we are achieving the Group's sustainable growth and providing trust and value to shareholders and other stakeholders.

Positioning and importance of IP

Operating in a wide range of business fields, the Gunze Group provides innovative products and technologies in each field, centered on the integration and lamination of materials and their handling. Underpinning these lies IP, a key element in protecting the Gunze Group's technological innovations and maintaining its business competitiveness.

Strengthening of IP portfolio

We strategically acquire and manage IP that contributes to business competitiveness. In particular, with regard to patents and trademarks, we not only protect the Company's rights but also position them as important assets that set us apart from other companies by taking the following measures:

Active filing In accordance with the development of innovative technologies and new products, we actively file patent and trademark applications both domestically and internationally and secure the rights.

Utilization of existing IP Utilizing existing IP, we generate profit through licensing agreements with other companies.

Portfolio optimization Regularly reviewing our portfolio, we raise the quality of our owned rights by disposing of any unnecessary IP rights.

Risk management

To properly safeguard our IP, we implement the following risk management measures.

Copyright infringement prevention measures To minimize the risk of IP infringement, we regularly conduct investigations of other companies' products. If an infringement is confirmed, we will promptly notify the other party and rigorously protect our rights.

Employee education Providing Group members with IP-related education, we deepen their understanding of IP's importance and handling methods.

Number of domestic and international patents and trademarks held by the Gunze Group

		FY2021	FY2022	FY2023
Patents held	Domestic	669	655	691
	Overseas	264	249	249
Trademarks held	Domestic	1,936	1,946	1,934
	Overseas	747	796	803

Open innovation

Leveraging our IP, we promote open innovation and collaborative research with external companies and research institutes. This accelerates the development of new technologies and products and strengthens our market competitiveness. Specific initiatives include the following:

Joint patent applications We apply for patents jointly with partner companies and research institutes, pooling the technical capabilities of both parties.

Social responsibility

The Gunze Group also places importance on fulfilling its social responsibilities through its IP. Promoting technological developments that can assist in protecting the global environment, such as resource circulation and the automation and increased efficiency of production facilities, we are contributing to the realization of a sustainable society by protecting and publishing those results as IP.

Promoting Compliance

I recognize the importance of compliance in sustainably boosting our corporate value. Legal & Compliance regularly conducts the necessary education and training and streams training videos on the Company's intranet for members, for example, in an effort to convey an appropriate understanding of compliance. In FY2022, we began holding hybrid training programs for new employees consisting of e-learning and in-person training conducted by lecturers from Legal & Compliance. In addition to sharing Gunze's sense of ethics, we now hold follow-up training with the aim of deepening understanding of insider trading regulations and of cautionary points regarding social media use, which is essential knowledge regardless of department or area of responsibility. To coincide with the enforcement of the Amendments to the Act for Eliminating Discrimination against Persons with Disabilities, we also conducted training on the appropriate considerations that the Gunze Group should take, so that all customers who use Group-operated stores and facilities can continue to use them with peace of mind. In addition, our internal whistleblower "Advice Hotline" provides consultations regarding compliance and other issues and works to resolve them while taking into consideration the privacy of those involved. Having also established an external whistleblower hotline staffed by outside attorneys, we have

secured a route for attorneys to report directly to corporate auditors in the event of a report that falls under the category of public interest whistleblowing. In FY2023, there was one consultation or report subject to public interest reporting. In addition, our internal whistleblower "Advice Hotline" provides consultations regarding compliance and other issues and works to resolve them while taking into consideration the privacy of those involved. Having also established an external whistleblower hotline staffed by outside attorneys, we have secured a route for attorneys to report directly to corporate auditors in the event of a report that falls under the category of public interest whistleblowing. In FY2023, there was one consultation or report subject to public interest reporting.

Breakdown of Reporting and Consultation

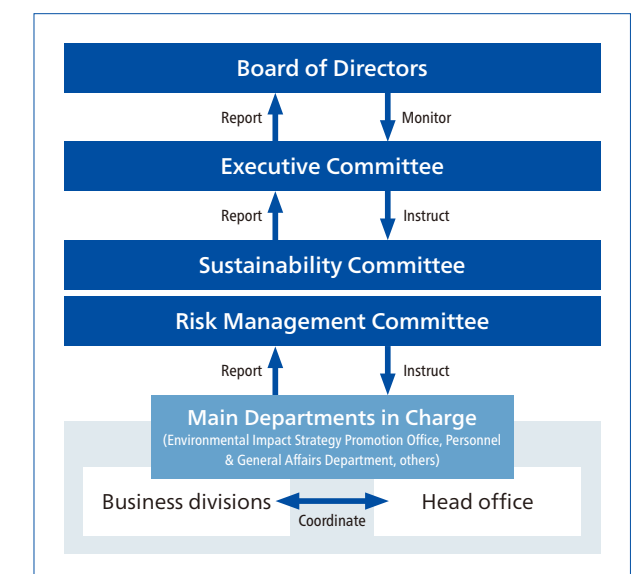
Cases	FY2022		FY2023	
	Hotline	External reporting desk	Hotline	External reporting desk
Workplace relationships	6	0	4	0
Sexual harassment	1	0	2	0
Power harassment	7	1	4	0
Facts subject to whistleblowing	0	0	1	0
Others	4	0	7	0
Total	18	1	18	0

Strengthening the Risk Management System

The Gunze Group has established a Risk Management Committee to prevent risks in general and respond appropriately to unforeseen situations and contingencies. With the goal of eliminating industrial accidents, misconduct, and all forms of harassment, we are identifying specific risks and working on measures to minimize them. The Risk Management Committee met four times in FY2023, during which it received monitoring result reports from the main departments designated to take charge of each of these risks, verified the execution status of countermeasures, and discussed and determined future action. These initiatives are reported to the Board of Directors, which issues instructions as necessary to ensure the effectiveness of internal controls. In FY2023, we placed particular emphasis on providing a safe working environment for employees, and with the eradication of industrial accidents in mind proceeded with earthquake resistance inspections of each business location and the demolition of aging facilities. As a responsibility of a manufacturer and seller of products, we must not only avoid any violations of the Act against Unjustifiable Premiums and Misleading Representations or the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (the Pharmaceutical and Medical Device Act) but also the risk of causing inconvenience to customers through inappropriate language in products or advertisements. In accordance with the increasing number of opportunities to provide apparel

products by online sales in particular, it is becoming increasingly important to use labels and expressions that are appropriate for as many people as possible. We are working to minimize risk by having staff from multiple departments use an in-house database to check the labeling and expressions of products delivered to customers in advance and by conducting in-house training.

Risk Management System for Sustainability Promotion



Human Rights Initiatives throughout the Supply Chain

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. Recognizing the need to present suppliers with a more concrete approach to sustainability in the supply chain in light of recent rapid environmental changes, we have established the Gunze Group Sustainable Procurement Guidelines (2021) to further

promote understanding and cooperation with the Gunze Group's sustainable procurement activities. Via the Sustainability Committee, we are making these guidelines known to all Gunze Group business divisions and their members and asking our suppliers to understand the purpose of the guidelines. In addition to complying with each item of the Supplier Code of Conduct, we ask that they practice the necessary actions and activities to achieve the purpose of the guidelines while spreading and instilling awareness of them among those upstream in the supply chain.

Conducting Human Rights Due Diligence

We are promoting human rights due diligence efforts to identify, analyze, and evaluate adverse impacts and risks on human rights both within our own Company and our suppliers as well as to formulate and implement appropriate measures.

In-house Assessments

FY2022 In light of human rights risk cases involving non-Japanese technical interns at other companies, the Gunze Group also felt the need to ascertain and address any risks and thus conducted a survey (of six factories in Japan) of the actual situation of non-Japanese technical interns in the apparel business, one of our main businesses. 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), for the purpose of the survey interviews were conducted with regard to appropriate working hours, wages, living environment, and occupational health and safety at work sites. Although no major human rights risks were identified in the apparel business, as a result of the survey we discovered issues that needed to be improved, such as ensuring that non-Japanese technical interns have access to consultation services.

FY2023 We have put in place a system for regular assessment by including a survey of the actual situation of non-Japanese technical interns in our internal audits. For the FY2023 audit, we conducted on-site inspections, including interviews with non-Japanese technical interns, at three domestic factories to confirm the hygiene conditions in their working environments. Based on the results of the FY2022 survey, we began preparations for a Vietnamese-language consultation service for Vietnamese technical trainees, who account for the majority in the Gunze Group, so that we can rapidly respond to any issues that violate the laws governing technical training. Raising awareness of the consultation service's existence among all employees, including our Vietnamese technical interns, we will strengthen deterrence so that human rights violations do not arise.

Supplier Assessments

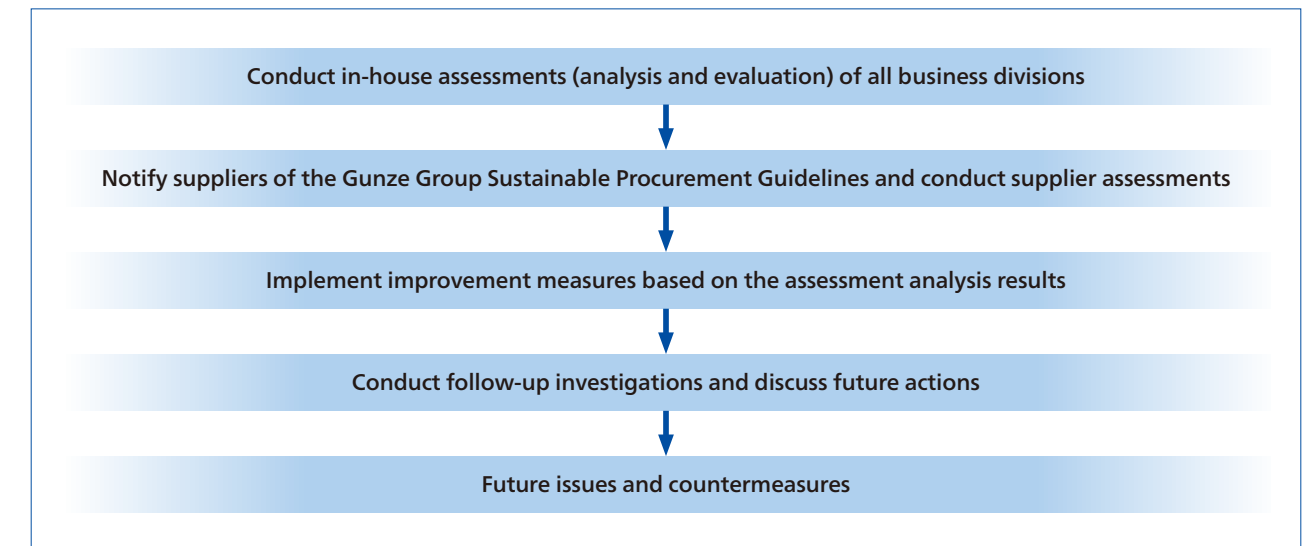
FY2022 The Gunze Group asks that suppliers understand the Gunze Group Sustainable Procurement Guidelines, which include the perspective of the Group's respect for human rights. In FY2022, we had key suppliers of all business divisions—75 companies in the apparel business, five companies in the medical business, and 14 companies in the plastic films business—conduct self-assessments. To confirm the status of suppliers' efforts with regard to respect for human rights, environmental conservation, and quality and safety, for the assessment we asked suppliers to self-assess using the Global Compact Network Japan's CSR Procurement Self-Assessment Questionnaire*² and evaluated their responses. For those suppliers with low scores for potentially serious risk items in particular, we had the person in charge meet with them individually and encouraged them with their efforts to make improvements.

FY2023 Self-assessments were conducted on nine suppliers in the engineering plastics field and 12 suppliers in the thread and accessories field. The evaluation results showed that while large companies with capital of more than ¥300 million recorded high scores, small and medium-sized enterprises with capital of less than ¥300 million scored low, revealing a tendency for insufficient efforts to be made. Those suppliers that had recorded low scores were sent feedback reports on the evaluation results and the issues identified together in conjunction with individual interviews and other means. We will continue to conduct appropriate supply chain management through regular monitoring. In the years to come, we will continue these efforts and promote collaboration with our suppliers in accordance with the Ten Principles in the four areas of human rights, labor, the environment, and anticorruption set out in the UN Global Compact.

*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 Labor 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

The GUNZE Group will create economic and social value and contribute to the realization of a sustainable earth and society through highly transparent management and compliance with globally accepted fairness rules, while keeping the founding spirit of “coexistence and co-prosperity with all stakeholders based on respect for people and

production of quality products” as the warp, and responding to the expectations of society in good faith and flexibility as the weft. We will contribute to the realization of a sustainable earth and society by creating economic and social value through highly transparent management and compliance with globally accepted fair rules.

Founding philosophy Harmonious coexistence

Stakeholder	Co-created Value	Target
Customers	We are committed to providing excellent products and services and practicing the motto Happy to Sell, Happy to Buy. With quality as our first priority, we pursue safety, security, comfort, and satisfaction, and develop products and services that are friendly to the environment and people.	Customer Satisfaction Survey: 90 points or higher
Business partners	Beyond just complying with relevant laws and regulations, and the spirit with which they are written, we conduct transactions that are fair and free. We call for a prohibition of discrimination in employment, forced labor, and child labor.	Conducting human rights due diligence (The Company and major business partners)
Society	We whole-heartedly participate in social and community activities, build friendly relationships with society, and pursue sustainability with communities.	Entered into regional comprehensive agreements with Osaka Prefecture, Osaka City, and Kyoto Prefecture
Employees	We provide equal opportunities without discriminating in employment and treatment. We respect the human rights of all people involved in our business activities and do not use forced labor or child labor. We promote skills development that enables diversity among employees who will be the right person in the right position, and nurture human resources who can contribute to society.	* Engagement score: 70 points or higher Ratio of women in managerial roles: 6% or higher Paternity leave utilization rate: 50%
Environment	We will contribute to the realization of a sustainable earth and society by actively working to protect the global environment, including biodiversity, and reduce greenhouse gas emissions in all of our business activities, as well as by providing environmentally friendly products and services.	* CO ₂ emissions reduction: Scope 1 + 2, 28% or higher (Reduction vs. FY2013 Domestic + Overseas)
Shareholders and investors	We work to enhance corporate credibility through the promotion of sustainability. We proactively and fairly disclose corporate information and live up to the trust that is placed in us.	* ROE: 6.3% or higher Total return ratio: 100% Dividend on equity (DOE): 2.2% or higher

* Medium-term Management Plan VISION 2030 stage1 KPI

Environmental Strategy

Balancing the Need to Increase Corporate Value and Profits



Tomohisa Okuda

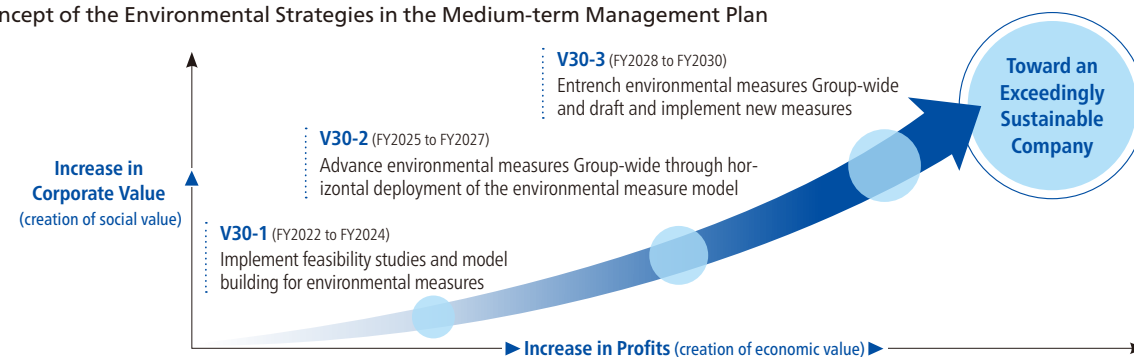
Director and
Corporate Officer
General Manager,
Technology &
Development
Department

The Gunze Group's policy regarding environmental strategies in VISION 2030 (hereafter, "V30") is to balance the need to increase corporate value, realized through the creation of social value, together with profits, realized through the creation of economic value. As seen with

climate change, environmental issues have become an urgent global challenge, which is why we believe it is our mission as a company to engage with this theme. Yet we must also enhance the sustainability of our businesses at the same time. The Gunze Group is therefore advancing an approach to environmentally responsible management as a means of achieving these two goals.

Specifically, we have established three steps through 2030, the period covered by V30 (V30-1 to V30-3), during which we will address the environment in a progressive manner. During V30-1, we are drafting highly feasible and effective measures for taking action on the environment, which we will deploy across the Group as part of V30-2. And by steadily implementing these initiatives, we will embed an environmental approach throughout the Group under V30-3 as we enhance the sustainability of the Gunze Group.

Concept of the Environmental Strategies in the Medium-term Management Plan



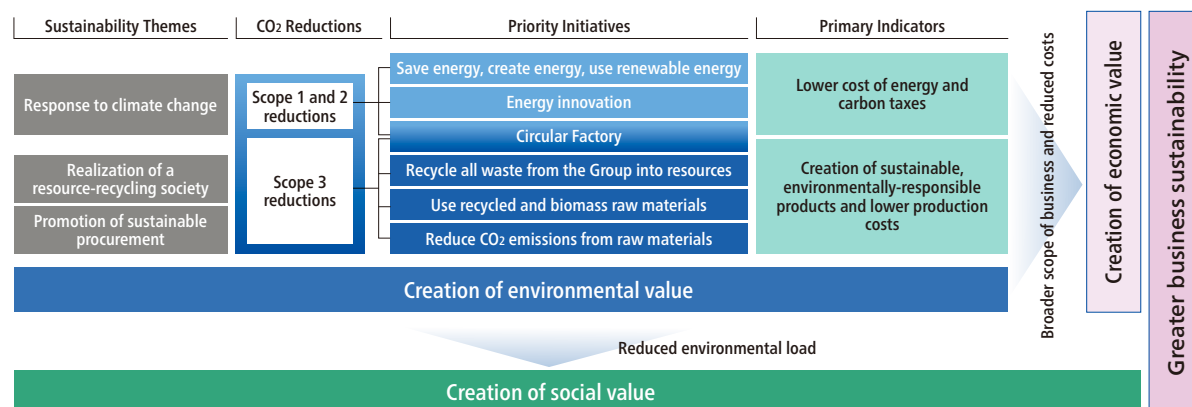
Concrete Approaches to Environmentally Responsible Management

In terms of specific measures, we will promote priority initiatives along the three axes of responding to climate change, realizing a resource-recycling society, and promoting sustainable procurement, which stand as the major promotional items of the Gunze Group's approach to sustainable management. Along these lines, we will drive the creation of both social and economic value.

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, in terms of energy innovation, we will promote environmentally responsible business operations by advancing the application of new technologies in the area of effective energy use. As a part of our efforts to realize a resource-recycling society in regard to reducing Scope

Activities to Reduce Environmental Load



3 emissions, we will first advance efforts to recycle waste into resources at all domestic business sites, spearheaded by the MoriYama Circular Factory™, in order to reduce waste throughout the Group. We will also strengthen horizontal deployment of these efforts to the Apparel Company, for which the weight of Scope 3 emissions is high. Finally, from a sustainable procurement perspective,

we will promote the use of recycled, biomass, and other environmentally friendly raw materials. This effort will serve to reduce the amount of the raw materials required by our production processes in an effort to curtail CO₂ emissions through the use of fewer raw materials. Through these resource recycling and sustainable procurement initiatives, we will reduce Scope 3 emissions.

1. Toward Resource-Recycling and Decarbonization

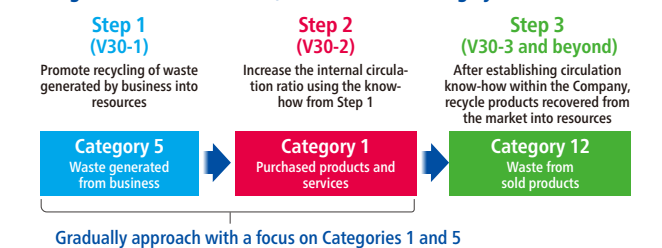
As far as reducing Scope 1 and 2 emissions is concerned, we will go beyond promoting the conventional approach of saving energy, creating energy, and using renewable energy in an effort to address the skyrocketing of energy costs seen in recent years. Specifically, for example, we will test and introduce new technologies that can effectively utilize heat energy, including designing more efficient heating systems and recovering heat. Moreover, we will investigate and prepare for the use of the next-generation of energy sources that are anticipated to replace fossil fuels in the near future.

From a Scope 3 emissions reduction perspective, in addition to plastic resource recycling efforts being advanced by the Plastic Film Company, we will work to create a system for effectively using waste throughout the Group in three steps (see the figure to the right). Moreover, we will also focus our energies on

creating products that help improve the environment, which will include developing products that leverage the strengths of Gunze's existing landscaping and greening business.

Scope 3 Emissions Reduction Roadmap Supported by the Realization of a Resource-Recycling Society

Begin by reducing **Category 5** emissions as an approach to reducing **Categories 1 and 12** emissions, which account for roughly 80% of the total



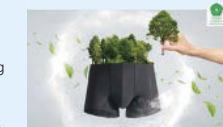
Column

Carbon Negative Products Designed to Contribute to Both CO₂ Reductions and Sales

Our joint industry-academia project with the Center for Urban Research, Kyushu University, has shown that the amount of CO₂ absorbed and fixed in the landscaping and greening business exceeds the amount of CO₂ emitted during the production of BODY WILD "3D-MADE Boxers" and "Cutoff™ Boxers" products sold as part of the apparel business. As a result, these products received CARE Certification* from the Japan Institute of Metrology and Sustainability, an independent organization, thereby allowing us to commercialize these as carbon negative products that help improve the environment.

* CARE Certification

CARE Certification is the world's first initiative to use a visual format as a means of indicating whether products and services appropriately consider the labor and natural environments during their production processes. CARE Certification includes both human rights and environmental frameworks, where Gunze has acquired CARE Certification under the environmental framework.



Advanced Plastic Recycling at Circular Factory

In the Plastic Film Company, we have been advancing initiatives to transform into a circular manufacturer by 2030. As part of this effort, we are introducing equipment and developing a mechanism for crushing various forms of waste plastic generated at the manufacturing stage into tiny pieces, and separating out different types of resins to be recycled into raw materials under an uncompromising quality management system.



Conceptual image of the plastic separation and collection equipment

2. Toward a Smaller Impact on Natural Capital

In parallel with decarbonization, the Gunze Group is engaged in efforts to curtail its impact on natural capital. In regard to fresh water, for example, we are working to further reduce the amount of water intake and wastewater as part of the apparel dying process, and will establish a management regime for this data. As far as chemical

substances are concerned, we have gone beyond conventional approaches to governance, maintenance, and control, and are engaged in efforts to recycle and reduce the amount of solvents (sub-material) required for production as a measure for reducing their use throughout the Group.

Column

Reducing Both the Impact on Natural Capital and CO₂ Emissions

In the engineering plastics field, we are working with suppliers to perfect a regeneration and circulation recycling scheme for the organic solvents typically discarded as industrial waste. This effort does more than mitigate the impact of organic solvents on natural capital because, for example, our in-house circulation-type recycling model also directly connects to fewer CO₂ emissions through resource recycling.



Organic solvent recovery system

Addressing Climate Change-Related Risks and Opportunities

We established the Sustainability Committee, which is chaired by the Director or the Corporate 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 Corporate 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.

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 they pertain 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 Information Disclosure

In October 2021, the Gunze Group expressed support for the recommendations put forward by the Financial Stability Board (FSB)'s 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) GovernanceGovernance on climate change is incorporated into the sustainability governance structure.
- (2) Risk managementMajor 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) StrategyWe 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 NZE2050*1 presented in the IEA World Energy Outlook and the warming progression scenarios (4°C scenario) based on the IPCC AR5 RCP8.5 scenario.*2 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.

- (4) Indicators and TargetsTo 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. Commencing in FY2023, new manufacturing machinery became operational at the Circular Factory™ in the plastic films field, contributing to a reduction in energy consumption per unit of production. We are also actively developing and bringing to market products that address the risks and opportunities identified through scenario analyses. To give specific examples, in the plastic films field, we developed and launched Japan's lightest shrink film, GEOPLAS™, an environmentally friendly shrink film for label packaging made using the mass balance method from more than 5% recycled materials that is compatible with automatic shrink sleeve label application machines. In the apparel business (innerwear field), in response to the summer heat that gets more severe with every passing year, we developed and launched the functional brand Asedoron, for which we used our own technology to eliminate the discomfort caused by perspiration. In the years to come, we will actively develop and bring to market environmentally friendly products, including those that support ethical consumption.

*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.
	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
Physical risks (4°C)	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

CO2 reduction results (Scope 1, 2, 3)

		FY2023	Compared to FY2022		Compared to FY2013	
		Emission volume (t-CO2)	Reduction volume (t-CO2)	Reduction rate (%)	Reduction volume (t-CO2)	Reduction rate (%)
Achievements	Scope 1 + 2	115,517	2,807	2.4%	56,991	33.0%
	Scope 1	34,732	3,912	10.1%	17,581	33.6%
	Scope 2	80,785	-1,105	-1.4%	39,411	32.8%
	Scope 3	390,856	33,005	7.8%	-	-

* 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.

CO2 Reduction Results and Future Initiatives

(1) Scope 1, 2 Results

The total reductions in Scope 1 and 2 CO2 emissions totaled 115,517t-CO2 (97.6% compared with the previous year), which amounts to 33% compared with the FY2023 target of "27% or more compared with FY2013," and thus we were able to achieve our target. The Gunze Group is working to conserve energy and expand the use of renewable energy as a fundamental part of its efforts to reduce CO2 emissions. FY2023 results were affected by production adjustments in line with market trends and fluctuations in domestic and overseas electricity coefficients. Going forward, to minimize the impact of such external factors and to make our CO2 reduction activities sustainable, we will strive to increase the proportion of renewable energy by switching over to highly efficient equipment when it becomes obsolete, implementing sustainable energy-saving activities across all our business sites by visualizing energy losses centered on EMS,*3 and vigorously promoting the maximum use of conventional solar power generation panels across the Company. We will also actively promote efforts to introduce next-generation solar power equipment to achieve our 2030 CO2 emissions reduction target.

*3 EMS : Energy Management System

(2) Scope 3 Results

Scope 3 emissions for FY2023 amounted to 390,856t-CO2, a year-on-year reduction of approximately 8%. This result was due to the Plastic Film Company's significant contribution in promoting resource circulation strategies, including its Circular Factory™. The Gunze Group's CO2 emissions are weighted more heavily in Scope 3 than in Scope 1 and 2, and we are focusing on resource circulation and sustainable procurement to reduce Category 1 (purchased products and services) and Category 12 (end of life treatment of sold products), mainly at the Plastic Film Company and Apparel Company, which account for a large proportion of the emissions volume. To further strengthen our Company-wide efforts toward Scope 3 reductions, we will consider setting and disclosing targets for resource circulation and sustainable procurement. We have begun our Scope 3 calculation and reduction efforts in Japan, but going forward we will also proceed to confirm the extent of the Scope 3 impact at our overseas business sites.

Business Segment Strategies

Functional Solutions Business

Supporting the future in new markets by developing differentiated products that add new value, such as sustainable products, and expanding into global markets

In the plastic films business, we are promoting the development of high value-added packaging films and the move into new fields based on our core multi-layer extrusion and stretching technologies. With the aim of transitioning to a sustainable business, we are actively engaging in resource-recycling strategies, as exemplified by the Circular Factory™. As a circular manufacturer that rolls out new application value in the use of plastics to the world, we are also strengthening our global expansion endeavors with the aim of becoming a market leader. In addition to the development of high-end products, we are making progress with efforts to expand our market share of mainstay products targeting the OA market through the development of products that leverage our proprietary technologies in the engineering plastics business. We will also build a system to increase production of semiconductor-related products that take advantage of the properties of fluororesins and strengthen our efforts in health and medical-related products as well as products for industrial equipment.

FY2023 Business Overview

In the plastic films business, impacted by a decrease in volume brought about by a decline in demand for films, owing to such factors as sluggish consumption on the back of price increases and weight reductions as well as excess inventory due to cost cutting, the domestic market found itself in a difficult situation. Overseas sales were favorable in the United States, where functional beverages performed well. In contrast, sales in Vietnam, which was affected by inflation, and China, which felt the brunt of an economic slowdown, struggled. In the engineering plastics business, OA functional products were flat due to the

sluggish printer market. Non-OA products, including those for semiconductors and general industrial applications, remained strong. As far as the electronic components business is concerned, the Company plans to transfer its touch panel business to a Taiwanese company on October 1, 2024. We are also in negotiations to transfer businesses in the mechatronics business.

Accounting for each of the aforementioned, the functional solutions business recorded net sales of ¥48,975 million (down 1.2% year on year) and operating income of ¥6,028 million (down 11.8% year on year).

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

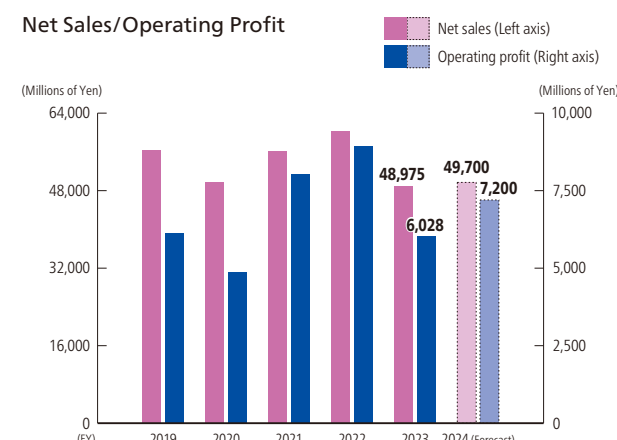
Plastic Films Business

To meet growing social demands for a recycling-oriented society, it is vital that we create new value by shifting to resource recycling-oriented, environmentally friendly business. In addition to proactively introducing new environmentally friendly products, we will also proceed with the full-scale operation of our Circular Factory™ (resource recycling plant) and the establishment of a recycling center, which will form the foundation of our transformation into a circular manufacturer. We will also promote production innovation through the automation of facilities and the use of renewable energy, while strengthening sales expansion overseas, including in the United States, China, and ASEAN countries.

Engineering Plastics Business

In addition to the development of high-end products in response to the maturation of the OA market, we will work to increase production capacity for semiconductor-related products, which are performing well, and to develop new applications in the industrial equipment market. In addition to expanding its market share of products for the

mainstay OA market, the Company will expand its main factory in Konan with a target completion date of March 2025 to respond to expected increases in demand in the medical and semiconductor markets.

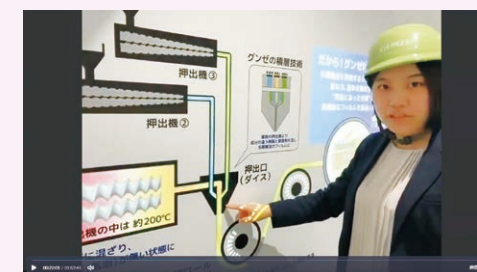


Column Circular Factory™ Visitor Hosting Activities (Plastic Films Business)

In April 2023, work on the Circular Factory™ was completed at our Morioka Plant after around four years of planning with the aim of utilizing solar and groundwater energy, achieving zero emissions and the elimination of plastic waste, and producing sustainable products. From the completion ceremony until the end of May 2024, we received just under 1,200 visitors from approximately 200 companies (organizations). Due to the COVID-19 pandemic, sales representatives visited customers infrequently. As a result, there were fewer opportunities to obtain feedback regarding issues and needs. Visits to the Circular Factory™ have contributed to concrete proposals for environmental responses, which in turn have led to a variety of collaborative projects. We are also holding online factory tours for overseas customers, and our real-time responses are being well received.

In the Morioka Plant's management office, there is a whiteboard that displays information for plant visitors and monthly tour schedules that are filled with almost no blanks and updated

daily. The visitors are mostly business clients, but there are also many government and local government officials. Previously, due to concerns about maintaining confidentiality, we rarely had the opportunity to show people from outside the Company around the factory. The reason why the new plant even has walkways to welcome visitors is because resource recycling initiatives are difficult for a single company to achieve alone. For example, recycling requires cooperation from local governments and stakeholders, while the development of materials requires cooperation from customers with expertise in recycling technology and waste disposal. In terms of promoting resource circulation, it is necessary to involve the entire industry. For this reason, we have boldly shifted to a strategy of disclosing new initiatives. The reactions from visitors have been positive, and we are beginning to see model cases of resource circulation. However, this activity will probably not immediately lead to an increase in sales. We will continue our activities in the belief that these initiatives serve as stepping stones for future strategies.



Online briefing for overseas customers



External view of the Circular Factory™

Introducing the Konan Plant's ZEB* Office Building (Konan City, Aichi Prefecture) (Engineering Plastics Business)

Reflecting our desire and ideas to create comfort for customers and a fulfilling and comfortable work environment for employees, a new office building was completed to serve as the face of the plant in February 2023.

The former office was a historic building completed in 1959. In light of the issues that continued to emerge as a result of age, there was an urgent need to secure and expand space to accommodate the expanding scale of business and the variety of products handled. To expand the production area, we therefore decided to consolidate the conference rooms and offices in the plant building and reconstruct the office building. In addition to consolidation, our goal was to also create a facility that was stylish, comfortable, and environmentally friendly.

A fusion of the past and present with an exterior that showcases the features of Gunze's historical buildings, the architectural design also incorporates such accents as dimmable lighting and wood grain to create comfortable, pleasant spaces. In addition to improving convenience and comfort, there was a focus on renovating the dining hall. Ingenious efforts were made to make dining a relaxing and enjoyable experience, including offering a

variety of seating styles and menus produced in collaboration with famous restaurants. Moreover, the layout was designed to enable its double use for casual meetings and other functions, which help improve communication among employees. In terms of environmental friendliness, we also incorporated a variety of energy-saving measures and were thus able to obtain ZEB certification. By having a new office that incorporates various design features and measures, we devised a way to boost employee motivation. We hope that our customers will understand Gunze's corporate stance, and that the implementation of environmentally responsible management will lead to the sustainable growth of business.

* ZEB: Net Zero Energy Building
A building design that aims to reduce the balance of primary energy consumed by the building to zero. Having achieved a 102% reduction in standard primary energy consumption (energy saving 53%, energy creation 49%), the new office building at the Konan Plant was awarded the highest ZEB certification rating.



The Konan Plant's ZEB office building



Producing comfortable and pleasant spaces

Medical Business

Delivering a Brighter Future for Patients by Providing Innovative Biomaterials x Devices

In the medical business, we are advancing research and development into medical devices that leverage the capabilities of bio-absorbable polymer materials in order to help improve quality of life (QOL) for all humanity. Ever since 1982 when we began basic research in the medical business, we have applied our technologies accumulated over the decades in an effort to manufacture and sell medical devices. Today, we offer an extensive lineup of bioabsorbable medical devices and other products, ranging from reinforcement felts to bone fixation devices, artificial dermis and adhesion barriers. With a high level of demand from outside Japan, we are promoting business expansion across the globe.

FY2023 Business Overview

Since reclassifying the medical business as an independent segment in FY 2023, it has served as a growth driver for the Gunze Group with the aim of further improving the QOL of patients by providing medical devices centered on bioabsorbable products.

In FY2023, market penetration of new products including adhesion barriers agents progressed with the recovery of the mainstay domestic medical application market. Moreover, sales of bioabsorbable medical materials grew in China as we strengthened our sales efforts in

cooperation with new distributors. However, orders for medical lasers decreased primarily due to the decreased number of openings of aesthetic and medical institutions after the COVID-19 pandemic.

Due to the above, the medical business recorded net sales of ¥11,697 million (up by 6.8% compared to the previous fiscal year). Operating profit was ¥1,991 million (down by 4.4% compared to the previous fiscal year) due to increases primarily in costs associated with investment in human resources aimed at future growth.

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

Realizing sustained business growth will require us to develop and sell medical devices centered on bioabsorbable products, for which reason we will advance the following initiatives in each domain.

CMF: Craniomaxillofacial Surgery Bone fixation devices are the mainstay products. We will maintain our top share in CMF by reinforcing and expanding our product lineup for a variety of diseases and to accommodate new surgical procedures.

NEURO: Neurosurgery Including bioabsorbable bone fixation devices and dural substitutes, our mainstays are products that make sure openings made in the skull during surgery are sealed. Having developed “materials x devices” to assist in safe craniotomies and surgical operations, we will increase our presence in the NEURO domain.

WOUND: Shaping/Wound Surgery Our mainstay products are artificial dermis, materials that accelerate the wound healing process, and ultrasonic debridement equipment. We are promoting the development of a product group following the “TIMERS” concept (T: Tissue non-viable and deficient; I: Infection and inflammation; M: Moisture imbalance; E: Edge of wound not advancing or undermined; R: Repair/regeneration; S: Social- and patient-related factors), which is important for wound healing.

Surgical: Respiratory Surgery + Abdominal Surgery The two mainstay products are reinforcement felts and adhesion barrier materials. Aiming for zero complications and products that are easy for doctors to use, we will

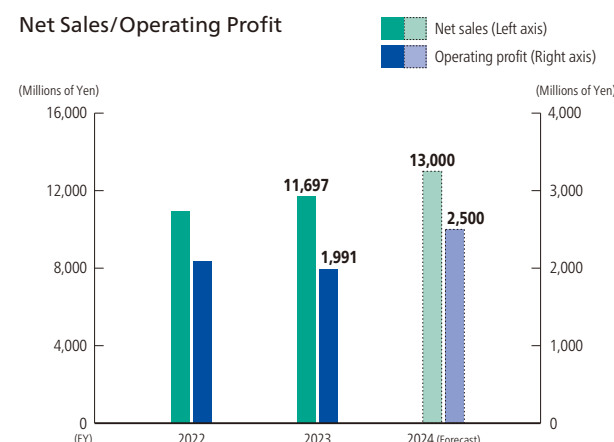
continue to make improvements, accumulate clinical evidence, and strengthen global sales expansion.

Cosmetic Medicine The mainstay products include devices for laser hair removal and the treatment of blemishes and warts, breast reconstruction materials, and cranial reshaping helmets.

Global Sales We will accelerate business expansion through stronger global sales and ongoing efforts to develop new products centered on China and the U.S.

• Capital investment plan

We plan to expand our first Ayabe plant to increase the output of existing products, open a third plant to handle the increase in production of adhesion barrier sheets, and build an R&D facility to respond to the acceleration of R&D.



Column

The global medical device market is estimated at roughly ¥80 trillion, of which the U.S. as the largest market accounts for nearly 30% of the total. As the second largest market in the world, China is expected to continue growing by double digits on average each year. With the global market trending to exceed ¥100 trillion by 2030, the overall market is expected to broadly divide into the Americas, Asia, and Europe. The following introduces our global initiatives in the medical business against this backdrop.

Launching Sales of 刚太™, a Made-in-China Bone Fixation Device

In addition to our lineup of products made in Japan, we must develop new products that meet the needs of China and introduce these to the market in order to continuously achieve growth against stiff competition. China is implementing various measures in regard to pharmaceuticals and medical devices with the goal of improving the quality of domestic medical care and reducing medical costs. Against this backdrop, China has been promoting the shift to domestic medical device production since 2014, and is expected to continue expanding preferential treatment for domestically made products in terms of development, registration (approval), production, and sale. In December 2023, Gunze launched sales of a bone fixation sternum pin called 刚太™ as its first domestically made product at the Pingshan Factory in China. This is our first product to have been developed and approved for manufacture in China. Designed to hold the sternum in place for healing after it has been disconnected during surgery, as well as for fixing the sternum when broken, in China sternum pins are often used particularly during open-chest surgery for children. With the launch of sales of 刚太™, we are strengthening our initiatives to address the changes in and growth of the Chinese market in an effort to support the development of the medical group.



A Shipment Ready for Sending from the Pingshan Plant in China



Bone fixation sternum pins 刚太™

Expanding Sales of Gunze-made Products in Europe and the U.S.

Gunze International (U.S.) seeks out business partners with a focus on countries in North America and Europe, builds relationships that enable strategic cooperation, provides materials, and plays the role of deploying Gunze-made products. Because we

have found it difficult to apply successful cases in Japan and China as is in these markets, we have added new product value in European and North American countries by acquiring approval on a per-country basis. These efforts have served to increase the awareness of our products to a certain degree in the Italian, French, and other markets, with increasing numbers of inquiries from other countries, as well.

Moreover, we are shifting away from the business of providing surgical suture threads and other materials for which cost competitiveness is on the decline, and toward expanding sales of reinforcement felts, artificial dermis, and other products made by Gunze. In fact, as of FY2023, we had successfully expanded into 15 countries, with 70% of sales accounted for by Gunze-made products.

Along with swiftly addressing local needs and strengthening the system for acquiring pharmaceutical approval at the earliest possible stage, we will continue to enhance our ability to accumulate evidence in each country as we make a major leap forward.



View of an exhibition in Europe

Introducing Innovative Wound Care Products to Japan

The Japanese wound care device market is expected to reach ¥89 billion by 2032 (1.3 times that of 2023). The factor behind this growth is primarily the increasing incidence of chronic wounds, including those related to diabetes, bedsores, and surgeries, coinciding with the rising number of elderly. Chronic wounds are often difficult to treat, so require more effective approaches when it comes to care.

In addition to offering ultrasonic surgical devices (ultrasonic treatment devices for wound care), as well as artificial dermis made using collagen and from gelatin, Gunze launched sales of dehydrated human amnion/chorion membrane (dHACM) allografts in 2023. This product is used to treat difficult-to-care for wounds that do not respond well to conventional therapies. These are often used for patients in the U.S., so we believe we can provide them as a means of ideal wound care for patients in Japan.

We will continue our dual approach to the wound care field of importing innovative devices and proprietary development to strengthen our presence on the wound care device market.



A dehydrated human amnion/chorion membrane

Apparel Business

Promoting the solid growth of direct to consumer (D2C) channels and the organizational restructuring and streamlining that addresses changes in the market, while working to enhance and accelerate strategy execution

Although market conditions showed a gradual recovery in FY2023, the business environment remained challenging due to changes in the external environment (exchange rates, rising prices, soaring energy prices, domestic labor shortages, etc.), making this a year for reviving growth and carrying out business structure reforms. First, as initiatives designed to revive growth, we implemented management improvement measures, such as accelerating the shift to D2C, pursuing organizational restructuring toward synthetic apparel, and continuing to revise prices. With the aim of acquiring new customers in their 20s and 30s, we also strengthened the development of products featuring Gunze's differentiating technologies, sales of which are continuing to grow. As consumers prefer "habitually using good products, even though they are higher priced, for longer periods," we believe that we are capturing the needs of our customers. Furthermore, in the business restructuring, we carried out structural reforms in the production of legwear. These efforts resulted in a significant increase in profit compared with the previous fiscal year.

FY2023 Business Overview

In addition to expanding health and wellness as well as ethical products in response to a consumer return to natural materials, casual-oriented trends, increasing health consciousness, and higher environmental awareness, we strengthened sales expansion of women's innerwear, including Femtech products, and the differentiated foundation lineup. Taking the apparel business as a whole, sales of seasonal items struggled due to the lingering summer heat and mild winter, but products sold throughout the year with an emphasis on differentiation performed strongly. Profitability improved as a result of price revisions, including the adding of higher value

to products, and business restructuring, and our strengthened e-commerce and directly managed store channels continued to grow. Going forward, we will engage in growth strategies by shifting to the D to C channel.

Aiming for production structure reform, we closed our socks factory in Indonesia in FY2023 and worked on cost improvements.

As a result of the foregoing, sales for the apparel business amounted to ¥60,114 million (down 1.4% year on year), and operating income was ¥1,465 million (compared with an operating loss of ¥222 million for the previous fiscal year).

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

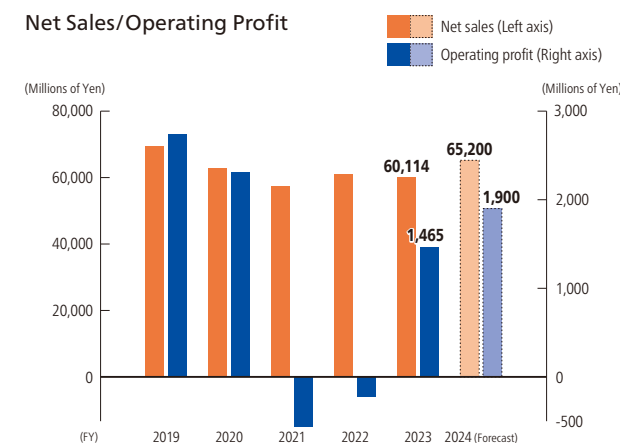
■ Apparel Business

Through cross-industry organizational restructuring aimed at improving competitiveness, we will work to further expand sales via the e-commerce channel, which is growing in line with changes in consumer behavior, and through D to C channels at directly managed stores. We will also actively promote collaboration with other companies and expand into the lifestyle field, such as by broadening the product range of key brands and strengthening proposals for specific occasions. Additionally, for example, working to expand sales by developing differentiated new products that take advantage of the adhesive technology and cut-off material properties of our products—and by having newly rolled out our Asedoron function brand—in an environment where the recovery of market size presents difficulties, we will work to improve profitability by shifting production to higher value-added products while stabilizing factory operating rates. We will also develop new legwear products to respond to changes in the market and work to improve profitability, for example by means of higher value-added products.

As far as structural reforms such as consolidating production bases are concerned, we will create an optimal global production system centered on the ASEAN region and strengthen our cost competitiveness by continuing to engage in automation, including unmanned operations, and the establishment of overseas production bases for differentiated products. In response to the "2024 Issue of Driver Shortages," we will also engage in efficiency improvements (lot consolidation, standardization of transport volumes) as we work to minimize its impact on our business.

■ Thread and Accessories Business

In FY2024, we expect to increase sales and profits by achieving sales expansion in industrial materials, including sewing materials for automobiles, and rubber and auxiliary materials, in addition to our mainstay sewing materials for clothing. In addition, we will strengthen new areas by renewing our development system to cultivate new markets by applying sewing machine-based technologies.



Column New Challenges toward Becoming a Total Apparel Brand

We have grown sales of Gunze's apparel products by fine-tuning our planning and development capabilities to always satisfy our customers. To further increase recognition of the Gunze feeling of comfort among our customers in the years to come, from FY2023 we have combined our product development capabilities in the innerwear, legwear, and house casual businesses and integrated our products, sales, and promotions. We are promoting a total apparel brand strategy that corresponds to the different life stages of our target customers and will provide them with greater satisfaction.

New Asedoron Brand Eliminates the Discomfort of Perspiration

The findings of an independent survey have revealed that wearers are not fully satisfied with current underwear products designed to cope with summer heat that is becoming more intense with every passing year. To eliminate the causes of discomfort caused by perspiration, we worked on creating new ideas and product development. The fruits of these endeavors and the combined efforts of Gunze's apparel business was Asedoron. By means of a complete lineup of products, including innerwear, socks, and pajamas, we provide the solution to the stickiness caused by perspiration, the root cause of discomfort inside clothing. Featuring a structure that mimics diatomaceous earth, this newly developed material eliminates the unpleasant stickiness inside clothing and enables a smooth, comfortable feeling.



BODY WILD Rebrands from Boxer Shorts to Total Apparel

Having focused on innerwear under the concept of being "cool yet extremely comfortable," BODY WILD has refreshed its brand image and redesigned its brand logo in the 27th year since its debut. In line with the trend toward seamless lifestyle as well as fashion and consumer purchasing psychology whereby they choose what they can identify with, we are taking the brand to a new level with an assortment that allows people to feel the brand's DNA, "the pursuit of comfort," all over their bodies. Leveraging the manufacturing experience gained and technologies cultivated as boxer shorts evolved, we have developed products designed for entirely comfortable lifestyles. In addition to traditional boxer shorts and other innerwear, we are aiming for BODY WILD to evolve as a total apparel brand offering, for example, jackets and outer bottoms that are suitable for both casual

Legwear Business Restructuring

The Company's mainstay product, stockings, are meant to be worn when going out, so their sales were particularly hard hit by the restrictions on movement during the COVID-19 pandemic. Although the market has been recovering from 2022 onwards, it has not returned to pre-COVID-19 levels due to the impact of a worsening external environment, including soaring prices. To respond to these kinds of market changes, we are working on reforms across the entire division. In terms of production, to establish a production system more suited to the post-COVID market size, we closed our factory in China and consolidated our production base at one domestic factory (Kyushu Gunze). We are also consolidating our product lineup into key brands to reduce

and business settings, socks that are distinctly designed to be comfortable to wear, and comfortable clothing worn at home that aids indoor relaxation.



Tuché: A Women's Brand Strengthening Its Approach to the Younger Generation

We have revamped our product lineup to attract fans from younger generations, which has presented us with challenges. The planning team continued to discuss their ideal brand vision and the products that would realize that vision, and this led to the creation of 7DAYs LOOKs. Wearing these products, whether at work or at home, will boost the wearer's self-esteem and give them confidence. Enabling the coordination of entire outfits using only Tuché items, this is a product line that aims to create a wardrobe that will keep its wearers in a good mood for a week. The web promotion has tag-teamed with HARUTA, a long-established shoe manufacturer with many young fans, to provide total coordination from innerwear and outerwear to shoes. We are working to attract new Tuché fans.



changeover losses and maximize production efficiency by expanding the automation ratio in packaging and other processes. In the meantime, we revised our prices to address higher raw material and energy costs. Assuming that we maintain our market competitiveness, we examined the positioning of each product and carried out renewals and price revisions centered on SABRINA, our main product, which led to improved profit and loss. In addition, having accelerated the shift to D2C channels and expanded our sales composition ratio from 5% in FY2019 to 14%, we are working to increase legwear sales and improve profitability.

Lifestyle Creations Business

Pursuing the realization of comfort solutions for life within lifestyles through people- and earth-focused services

In the real estate business, Gunze engages in real estate development based on the utilization of Company-owned land. We operate shopping centers that are closely tied to local community life as well as businesses for housing and office building rentals, supplying our customers with pleasant spaces that provide a feeling of comfort. In the landscaping and greening business, we are developing environmental businesses that create a sustainable society where people can live in safety and health by providing greenery. Our main business areas are tree sales, by which we supply plant materials and seedlings, flower sales that add color to everyday life, and landscaping that contributes to creating living environments with an abundance of greenery. In addition, the mission of the sports club business is to foster fertile minds and healthy bodies through sports and to support people's happiness. By operating 16 sports clubs, mainly in the Kansai region, we are providing essential services that complement social infrastructure as bases for local communities.

FY2023 Business Summary

The real estate category recorded a decline in revenue due to the impact of sales of idle land redevelopment in the previous fiscal year. Both the shopping center and the sports club businesses are back on the recovery track following the lifting of pandemic restrictions. As part of its restructuring, the sports club business has decided to close five of its clubs in FY2024, with the costs of the closures recorded as business restructuring expenses under extraordinary losses in FY2023. Through these measures, we are expecting to see increased profits in FY2024.

In the landscaping and greening business, we worked toward a sales recovery to pre-COVID levels, but market conditions were harsh, with rising material costs and labor shortages. As a result, sales struggled. Recent efforts to improve profit margins are beginning to bear fruit, and thus profitability is improving. The lifestyle creation business recorded net sales of ¥12,826 million (down by 16.3% compared with the previous fiscal year) and operating income of ¥833 million (up by 18.1% year on year).

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

Real Estate Business

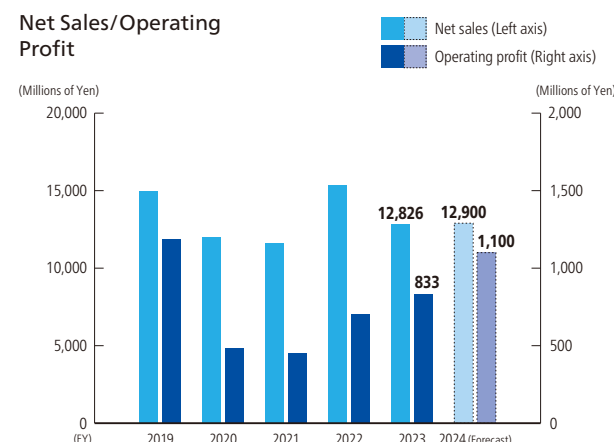
In the real estate business, we will strengthen property-specific management with an emphasis on improving profitability and investment efficiency. In addition to promoting the development of idle land, we will also work to review our asset composition with the aim of improving Gunze Value Added (GVA). In the case of commercial facilities, we will promote efforts designed to enhance their appeal, take measures to prevent facility deterioration, and continue to operate them as facilities that show that consideration is being given to customer safety. Gunze Town Center Tsukashin (Amagasaki City, Hyogo Prefecture) will continue to promote renovation and strengthen its ability to attract customers.

Sports Club Business

Instead of integrated sports clubs, specialized studios for yoga and other activities, small personal gyms, and even low-cost gyms in convenience stores are on the rise. In the sports club business, we will strengthen measures to deal with clubs that are experiencing problems. Measures include closing those that are unprofitable. We will also work to expand the school business, provide distinctive services, and develop new business formats tailored to regional and club characteristics and develop new types of businesses. As part of efforts tailored to local needs, we will aim to enter into businesses, including serving as the outsourced contractor for school swimming lessons and for health support programs for the elderly run by local governments.

Landscaping and Greening Business

In the landscaping and greening business, we will actively work to capture demand for greening at the Expo 2025 Osaka, Kansai, Japan and other events and increase the amount of CO₂ fixed by factories as we move toward a reduction in CO₂ emissions. As an innovative environmental initiative, we collaborated with our R&D departments to develop a new soil, for which we make use of the scraps generated from the manufacturing of underwear and other materials in our apparel business. This forms a recycling-oriented activity that gives new life to scraps that would previously have been discarded as garbage in new products of value.



Column "Making Osaka a City Full of Greenery!" Social Contributions through Gunze Green Business

Ongoing Implementation of Midosuji Avenue Ginkgo Tree Project

Based on the Agreement on the Supply of Ginkgo Trees on Midosuji Avenue signed with the City of Osaka, we provided an additional 19 ginkgo trees in FY2023. The future vision for Midosuji Avenue is to "become a people-centered street." Although people are the main focus, the ginkgo tree promenade planted there provides a symbol of this vision. In the years to come, we would like to continue working on this project and contribute to creating a neighborhood full of greenery in Osaka.



Ginkgo trees on Midosuji Avenue

Planting for Forest of Silence at Expo 2025 Osaka Kansai Main Venue

In preparation for Expo 2025 Osaka, Kansai, Japan which will open in April 2025, we are delivering more than 500 trees of various sizes, ranging in height from three to 10 meters, to be planted in the Forest of Silence at the main venue. For the Cycle of Life project, by which nearly 1,000 trees will be transplanted from the former Osaka Expo site and other locations to the Forest of Silence, a new transplanting method that utilizes a special material developed in the textile materials field has been adopted.



Preparations for the transplant of trees from the site of Expo 70 in Osaka

Kurunto Complex Development Project Utilizes Former Factory Site

From 2021, the site of a former apparel factory that faced Nagai Station (Nagai City, Yamagata Prefecture) was jointly redeveloped by Nagai City and Gunze Development Co., Ltd. under a public-private partnership (PPP). Its construction completed in August 2023, the Kurunto complex opened the following month. Built on a 23,000 m² site (about 1.5 times the size of Koshien Stadium), the 5,000 m² steel-framed facility has one floor and a partial second floor above ground and is characterized by its polygonal shape reminiscent of a cocoon, representing the history of Nagai City, where silkworm farming was once a thriving industry. There is an amusement facility for children on the north side of the building, a library on the south side, and a café in the common space, making it a lively hub for people of all ages to gather and socialize. The name Kurunto was chosen to represent the image of a place where children can be gently

watched over as they grow, like a cocoon that gently and lovingly envelopes a silkworm, and also to represent the image of energetic children playing around, doing somersaults for example. We hope that Kurunto will remain a place of relaxation for the people of Nagai City, and also become a facility that can be enjoyed by everyone in the surrounding area.



Exterior of the Kurunto facility

Amusements for children

Schools for Juniors to Improve Interpersonal Skills at Sports Clubs

Since the spread of COVID-19, the sports club industry has seen a decline in adult members compared with pre-COVID levels due to changes in exercise habits. Under those circumstances, Gunze Sports Co., Ltd. has long been focusing on the children's school business. In addition to its original mission of helping children enjoy sports and develop a sense of accomplishment by acquiring athletic skills suited to their stage of development, its educational policy of helping children acquire high levels of human ability through the Three Disciplines that embody Gunze's founding spirit—exchange greetings, participate in cleaning, keep your personal belongings in order—has been well received by parents, and the number of members has increased to even more than before COVID-19. Gunze Sports will continue to implement initiatives to further utilize the strengths of its schools for children.

Evolution of Swimming Schools

To increase parental satisfaction, Gunze swimming schools are promoting ingenuity in terms of viewing spaces and enhancements to coaches' teaching skills.



Swimming school

Expansion of Dance Schools

With dance classes now mandatory in junior high schools and breaking being included in the Olympic Games, there is a burgeoning need for dance tuition. We have expanded our dance schools, which offer cheer and K-POP dancing as well as other dance styles, to 13 locations, and our membership numbers are steadily increasing.



Junior dance school

Introduction Schools that Teach Programming Theory

Currently, programming education is compulsory in elementary schools, and as one of our efforts to improve children's logical thinking, we are promoting the introduction of schools that teach programming theory. Said to improve the ability to think about things in an orderly manner, draw conclusions, and execute them in a planned way to achieve a goal, programming education is also expected to improve creativity, imagination, and judgment.