

MESSAGE

In 1896, Gunze was founded as a silk-reeling company to promote the local silkworm industry.

Building on the technologies the Company has cultivated over its long history, it has delivered Comfort Solutions for Life through its broad range of products and services. It is celebrating its 130th year in business.

Long valued as an apparel company, we are now reassessing our business model in response to the recent rapid changes in the external environment. Over the next three years, we will reinvent Gunze.

To Remain a Company of Choice

As we continue to expand growth segments such as our Functional Solutions and Medical businesses, we will implement a structural reform to ensure that we can continue to thrive amid the accelerating change.

Understanding the needs of the times.
Opening the door to the future.
Becoming a company chosen by all stakeholders.
Gunze is taking its first step forward to reach these goals.

Now and Into the Future

Delivering Comfort Solutions for Life Worldwide

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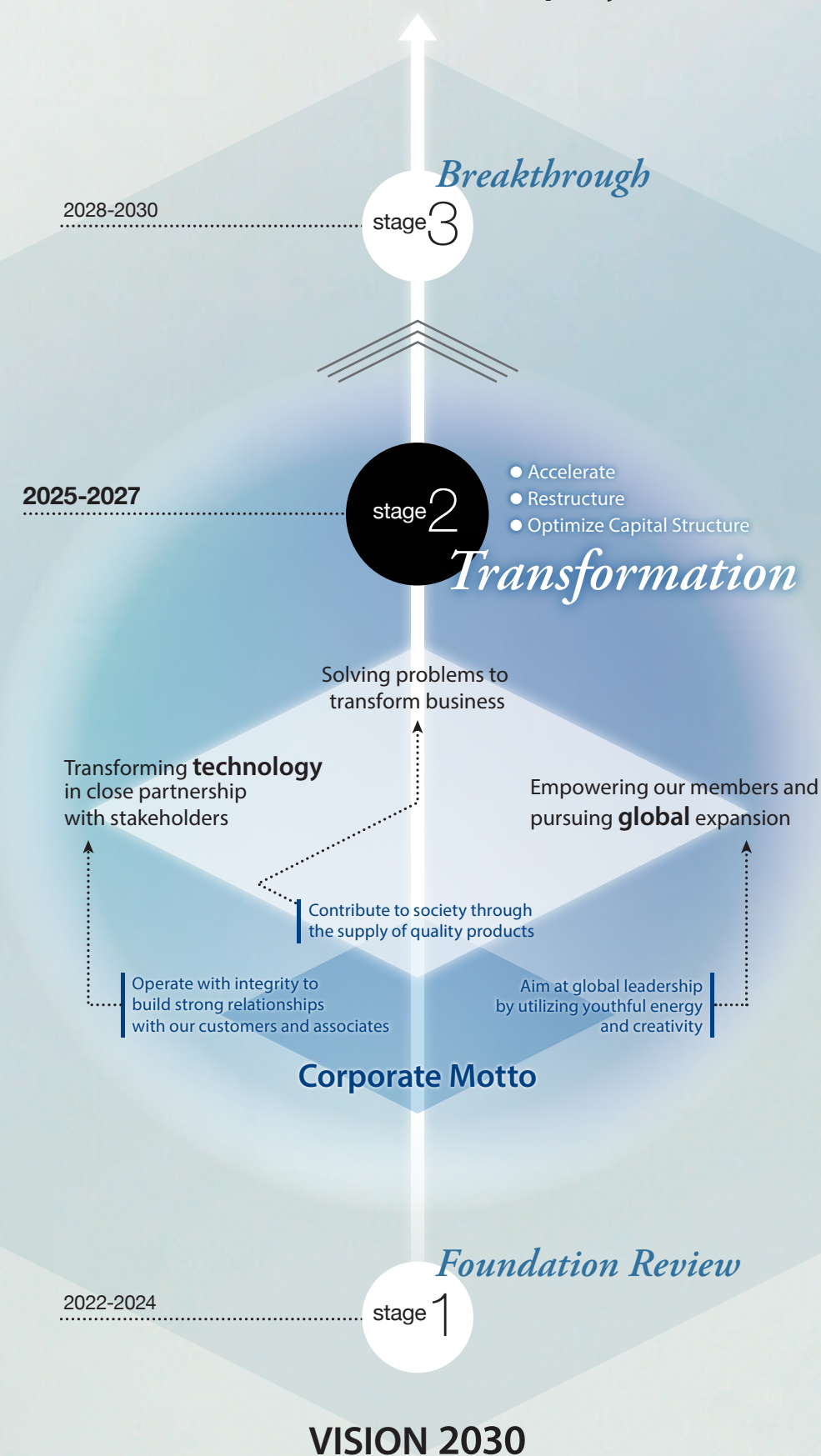


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Utilize Humans and Technology, Open Bright Futures
Global Solution Company



At a Glance

Six Types of Capital that Support Gunze

In addition to its sound financial capital, Gunze's business is underpinned by the non-financial capital it has developed over many years—its human resources, intellectual property, and strong brand value. We will continue to strengthen and fully leverage them to enhance our corporate value.



Functional Solutions Business

Driving the development of products that deliver new value, such as sustainable products

Strengthening our expansion into global markets, opening new markets, and supporting a circular economy

- **Plastic Films Business**
Packaging films for beverages, food products and more
- **Engineering Plastics Business**
Functional components used in OA equipment and industrial fields

Shrink films
Domestic market share **approx. 40%**

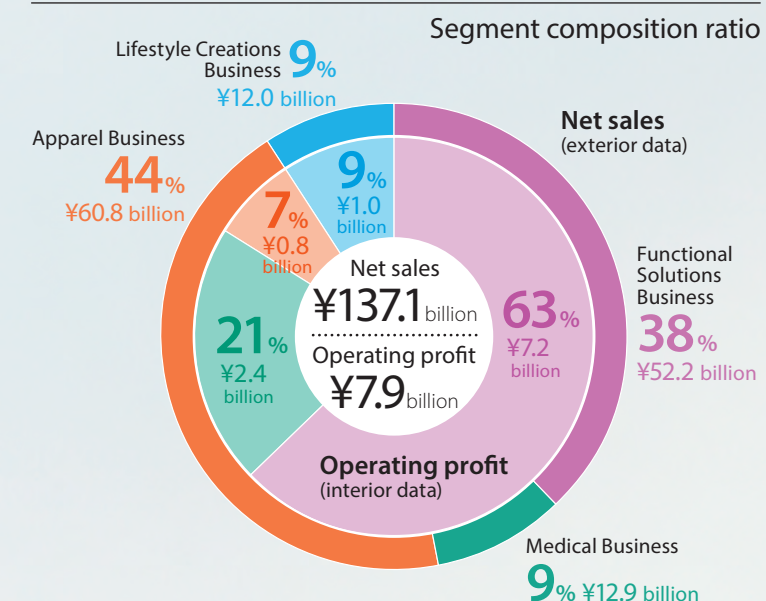
Medical Business

Contributing to advances in medical technology through innovative biomaterials and devices

Delivering a brighter future for patients and enhancing quality of life (QOL)

- **Bioabsorbable medical devices**
Bioabsorbable surgical suture thread, reinforcement felts, artificial dermis, dural substitutes, adhesion barriers

Reinforcement felts
Artificial dermis
Domestic market share **approx. 90%** **approx. 40%**



* The total amount includes corporate expenses not included in segment profit.

Apparel Business

Providing functional products and design services to meet diverse needs

Developing and providing comfort-focused apparel and highly functional industrial materials

- **Apparel Business**
Innerwear, legwear, lifestyle apparel
- **Threads & Accessories Business**
Various sewing threads and industrial materials

Apparel products
Number of units sold annually in Japan
Approx. 100 million

Lifestyle Creations Business

Pursuing quality of life and both physical and mental well-being

Supporting people's lives through wide-ranging community-based services while contributing to greener communities through environmental businesses

- **Real estate-related fields**
Commercial facility, housing and office rentals, energy-saving management
- **Landscaping and Greening Business**
- **Sports Club Business**

Number of visitors to Gunze Town Center Tsukashin (FY2024)
Approx. 12 million

Message from the President



T. Saguchi

Toshiyasu Saguchi

Representative Director
and President

A Bold Strategic Shift to Transform Gunze to Achieve Sustainable Growth and Increase Corporate Value

A “Carving Out Niche Markets” Strategy for Surviving in the Global Market

In recent years, global uncertainties, including geopolitical risks, have been increasing. Against this backdrop, I believe Japan's most pressing structural challenge is its declining population. This demographic shift will have far-reaching consequences, such as a decrease in demand for products, shrinking markets, diminished influence over the international community, and changes in the industrial structure. Notably, the contraction of a market inevitably results in fewer companies. As a business, we now stand at a critical crossroads. Will we be among the companies that are eliminated, or those that survive?

For this reason, we must heighten our sense of urgency and pursue a bold strategic transformation to ensure our survival. For Gunze, the central question is, “How do we increase our competitiveness in the global market?” Without overcoming this challenge, survival will be difficult.

Given our size, however, there are limits to our ability to compete head-on in a global market which is crowded with powerful competitors. I believe that a minimum annual net sales of 500-600 billion yen is necessary to compete in earnest. Accordingly, rather than pursuing a broad-based global expansion, Gunze has adopted the unique strategy of carving out niche markets. For example, under our Medium-term Management Plan, we aim to grow in the global apparel market. Our sales strategy targets a specific price segment in men's underwear segment—a deliberate and highly focused approach. To maximize our limited management resources, we will carefully select market segments and concentrate our resources in specific regions or markets, adopting a “local production for local consumption” approach.

• [Global Strategy](#) ▶P.52-53

Review of VISION 2030 stage1 and Identified Challenges

Gunze operates in four business segments: functional solutions, medical, apparel, and lifestyle creations. A distinctive feature of our company is the breadth of these business domains relative to the size of our corporation. Each segment has its own value proposition, growth direction, and challenges. We concluded VISION 2030 stage1 in FY2024. If I were to assign it a score, it would be 70 out of 100. While this is a passing grade, it is by no means a satisfactory result.

The initial targets for the medical and functional solutions businesses were met, and this merits a positive evaluation. In the medical business, we focused on the development of proprietary technology in the bioabsorbable field, creating medical devices that provide value to both patients and physicians. We also cultivated niche, high-value-added markets in close collaboration with numerous university laboratories. In functional solutions, we developed products for semiconductors, environmental applications, and other sectors to meet the ever-evolving needs of the market.

However, we must now reassess the business strategies of the

apparel and lifestyle creations businesses. Apparel, in particular, has faced a severe headwind. Our apparel products have a high import ratio, making them vulnerable to the fluctuation of foreign exchanges, and we are also confronting the structural challenge of a shrinking domestic apparel market due to Japan's decreasing population. Moreover, as consumers increasingly choose their purchasing channels based on specific purposes, the sales floors of mass retailers and department stores, historically our core channels, have been in steady decline.

Even in these challenging conditions, I believe that apparel remains our flagship business. It is worth continuing and transforming. To act on this belief, we launched stage2 in FY2025, undertaking a structural reform and reassessing every aspect of the business.

• [The Previous Medium-term Management Plan “VISION 2030 stage1” review](#) ▶P.18-19

Message from the President

Growth Strategies and Structural Reform in stage2

In functional solutions, we have continued the investments we initiated in stage1 in both plastic film and engineering plastics. In the plastic film field, we constructed the Circular Factory™ at our Morioka Plant in Shiga Prefecture, and in engineering plastics, we added a seventh building at our Konan Plant in Aichi Prefecture. In stage2, we aim to fully leverage these facilities to continue to drive profitability.

In the medical business, we launched new products in stage1, including an absorbable adhesion barrier sheets that reduces postoperative organ-to-organ adhesion, which has helped us acquire new customers. To meet growing demand, we established a third plant in Ayabe City, Kyoto Prefecture in April 2025, and it is scheduled to begin operating in the second half of the fiscal year.

In apparel and lifestyle creations, we will implement a structural reform. In apparel, this will include a fundamental review of the competitiveness of brands, the optimization of inventories, sales channels and logistics systems. Our goal is not merely to improve profitability, but to lay the foundation for future growth by transforming the business so that it has a leaner and more resilient structure.

In doing this, we will advance the local-production-for-local-consumption global strategy, anchored in our “carving out niche markets” approach that I mentioned earlier. This strategy hinges on production and marketing. We will carefully decide what to produce, where to produce it, and at what scale, while evaluating profitability in each case. I believe this concept applies not only in apparel, but in all of our business segments.



• [Medium-term Management Plan “VISION 2030 stage2”](#) ▶P.20-21

• [Business Strategy](#) ▶P.42-49

A Financial Strategy Aligned with Japan's Industrial Transformation

In our financial strategy, we will transition from our historically prudent, slightly conservative financial strategy to a more dynamic and flexible capital policy. This shift is driven by two factors. The first is the challenge generally faced by Japanese companies in attracting global capital.

Led by the Tokyo Stock Exchange, the minimum investment criteria from the perspective of overseas investors, such as a return on equity (ROE) of 8% and a price-to-book ratio (PBR) of 1, have been set, and we too must aim to meet these baseline criteria. The second is our capital structure. Our current equity ratio exceeds 70%. We consider this to be somewhat excessive. We will allocate management resources to proactive growth investments and shareholder return, while improving our

capital efficiency through structural reforms to optimize our capital structure.

Mergers and acquisitions will be an important option as we work to achieve the three-to-fourfold growth of sales over the medium- to long-term. However, I believe in taking a strategic and cautious approach. The keys are compatibility and timing. The results of rushing an acquisition may be unfavorable in the long term. We will focus on related business domains, carefully identify the right timing for acquisitions, and prioritize qualitative growth.

• [Financial Capital](#) ▶P.22-25

Focusing on Employee Happiness and Growth

The Gunze Group plans to revise its personnel system in April 2026, introducing a job-based framework for managers to ensure that talented individuals are appropriately evaluated and rewarded. I believe there is no single definition of happiness. Some employees want to advance their careers, while others value a stable life in their hometowns. We will offer multiple career paths to accommodate both, creating a system that prioritizes each individual's happiness and growth. These reforms are also essential for preserving the founding spirit of Tsurukichi Hatano, “Good people make good silk.” What I most expect from our employees is their humanity. Professional skills can be acquired later through effort, but sound character and the determination to persevere with a positive attitude cannot be developed overnight. These qualities, which include cooperation and teamwork, are essential attributes in Japanese companies. We aim to cultivate individu-

als who embody these fundamental qualities.

In parallel with our investments in human capital, we value environmental initiatives that ensure we remain a sustainable enterprise. As a company that handles plastics, we have long been mindful of our responsibilities regarding the global environment. To fulfill these responsibilities, we are advancing our vision of being a circular manufacturer. We used a green loan to build the Morioka Circular Factory, Japan's first resource-circulating model plant. Over 2,000 stakeholders have already visited the site, and in October 2024, we were commended by the Ministry of Economy, Trade and Industry. We believe these environmental initiatives directly contribute to the enhancement of our corporate value.

• [Human Capital](#) ▶P.26-29 • [Natural Capital](#) ▶P.36-39

Delivering Comfort Solutions for Life to All Stakeholders

Gunze's brand recognition is still too low among the younger generations of people, and older people's perception that Gunze is just an underwear company persists. We have yet to gain wide recognition for the full scope of our business, including the engineering plastics and medical businesses. Without change, we will not be able to increase people's awareness of our brand or achieve the broad growth of our brand.

That said, we have recently begun to see students applying for jobs that are interested in our medical business, indicating that our new growth fields are starting to resonate with the younger generation. As more prospective employees become interested in our diverse businesses, I believe people's recognition of our brand will steadily rise.

When formulating VISION 2030, what I valued most was the idea of a “multi-stakeholder” approach. We aim to be a company that delivers well-balanced value and satisfaction to all of our stakeholders—our shareholders, employees, customers, local communities and beyond. At the heart of this is our commitment to delivering Comfort Solutions for Life. This idea of comfort is the essence of Gunze, and I am convinced that

this will lead to the increase of our corporate value.

I will continue to communicate this vision clearly and share the appeals of the Company with as many people as possible. I look forward to your continued understanding and support.

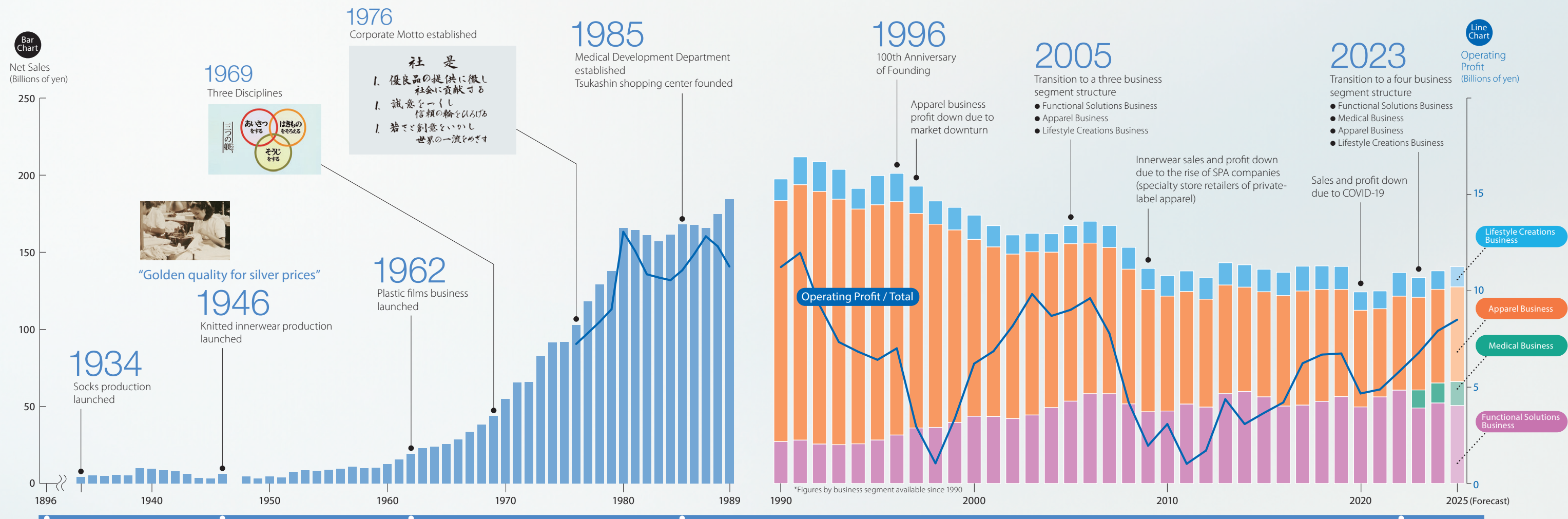


A Track Record of Value Creation

Gunze has continued to provide products and services that address social issues and changes in the business environment as a going concern for 129 years.

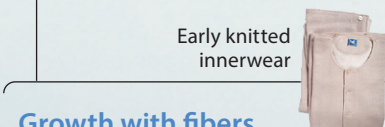
Founding Philosophy	Striving for harmonious coexistence with all stakeholders surrounding the Company through a people-oriented approach and a commitment to quality.
Management Philosophy	The Gunze Group has consistently lived up to the founding philosophy of "Striving for a harmonious coexistence with all stakeholders through a people-oriented approach and a commitment to quality." This philosophy serves as the "warp" threads of our corporate management, while our business operations represent "weft" threads, which serve to meet the expectations of our society sincerely and flexibly. The combination of these "warp" and "weft" threads is how we positively contribute to society.

Changes in operating profit by business segment



Established in 1896

Driven by his determination to contribute to the development of his hometown community, Tsurukichi Hatano founded Gunze as a silk-reeling company. Guided by his belief that "good people make good silk," the Company strongly emphasized employee training, ensuring that it would produce high-quality products.



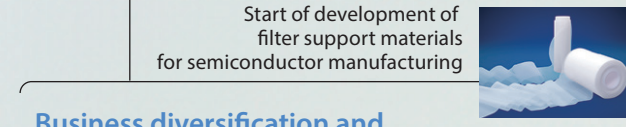
Growth with fibers at Gunze's core

As the advent of synthetic fibers led to a sharp decline in demand for raw silk, Gunze shifted to secondary processing, beginning the production of socks and innerwear. Renowned for its superb quality, Gunze's innerwear became known as the nation's innerwear.



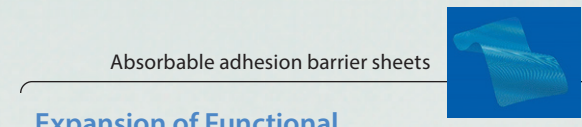
Plastic films business launched

Gunze entered the plastics business as a new initiative to replace its fiber business in response to the rapid growth of the petrochemical industry and the increasing demand for plastic resins.



Business diversification and apparel challenges

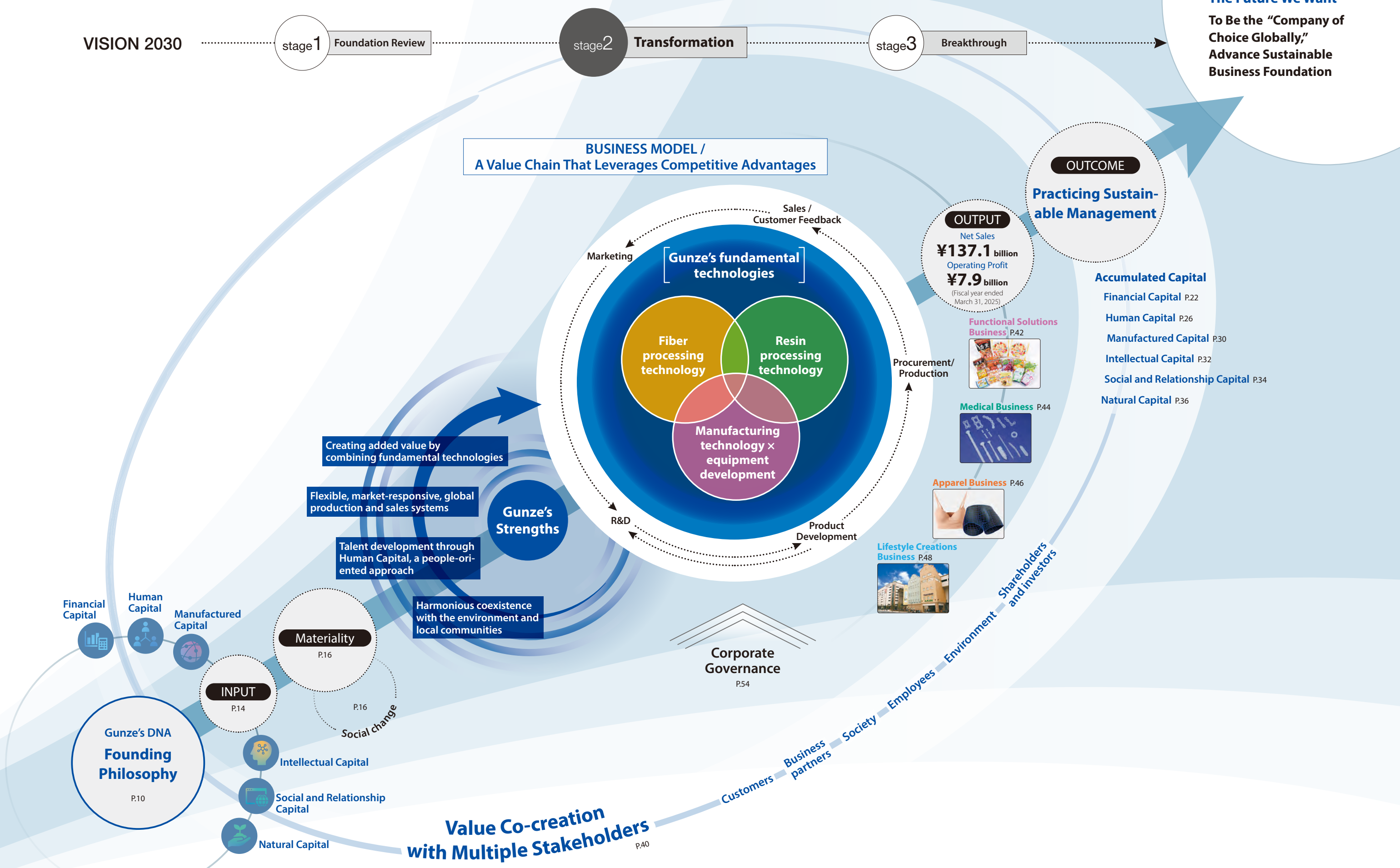
Leveraging its strengths as a technology-oriented company, Gunze expanded into high-performance product fields, establishing its medical and engineering plastics businesses, which are now its core businesses. It also launched the Lifestyle Creations business to help foster a new lifestyle culture. Meanwhile, there was a decline in the sales of its Apparel segment, which was once a core business, and profitability became an issue.



Expansion of Functional Solutions Business and Medical Business

Gunze transitioned to a four-business segment structure: Functional Solutions, Medical, Apparel, and Lifestyle Creations. Under the new Medium-term Management Plan, Gunze is promoting a growth strategy based on its grand design of pursuing the vision for 2030 through the growth of core businesses and uncompromising structural reform.

Value Creation Model



Explanation of the Value Creation Model by Capital Category

The value chain activities identified in Gunze's value creation model efficiently leverage the management capital that the Group has developed and Gunze's unique strengths to reinforce the Company's business activities. Here, we outline Gunze's competitive advantages and initiatives aimed at creating value together with stakeholders in relation to each category of capital.

Gunze's strengths

- Creating added value by combining fundamental technologies (Fiber processing technology, Resin processing technology, Manufacturing technology × Equipment development)
- Flexible, market-responsive, global production and sales systems
- Talent development through Human Capital a people-oriented approach
- Harmonious coexistence with the environment and local communities

Capitals	INPUT (March 31, 2025)		Features and Strengths	OUTCOME (March 31, 2025)
 Financial Capital	<ul style="list-style-type: none">• Stable financial standing• Medium- to long-term capital policies• Cost of capital-based management	<ul style="list-style-type: none">• Total assets 159,677 million yen• Net assets 120,982 million yen• Net sales 137,117 million yen• Operating income 7,921 million yen• Interest-bearing debt 8,960 million yen• Credit rating (JCR): A• Equity ratio 74.6%	<ul style="list-style-type: none">• Maintain financial soundness• Stable and continuous dividends• GVA management by business segment	<ul style="list-style-type: none">• Return of profits to shareholders (dividend per share) 195 yen (6.3 billion yen in total): After the stock split• Total shareholder return (TSR) 171.2%: Compared with the base year of FY2019 (BM=100%)• ROE 5.3%
 Human Capital	<ul style="list-style-type: none">• People-oriented approach• "Three disciplines" taking hold• Diversity of talent	<ul style="list-style-type: none">• Consolidated number of employees (4,339)• Employees holding qualifications (1,464) * Number of employees incentivized to obtain a qualification• Average age: 43 years and 6 months old• Years of service: 19.9 years	<ul style="list-style-type: none">• Human resources that embody the founding philosophy and produce superior products• Professionals who can fully demonstrate their abilities• Sales capabilities centered around solving problems from the customer's perspective	<ul style="list-style-type: none">• Ratio of women employees in the workforce (non-consolidated) 35%• Ratio of women in managerial roles 6.0%• Ratio of women corporate officers 20.0%• Improvement of engagement (Engagement score = 62 pt.)• Work-life balance Paternity/maternity leave utilization rate 78%/87% Average number of annual leave days taken 14.5
 Manufactured Capital	<ul style="list-style-type: none">• Pursuit of the highest quality as a technology-oriented company• Robust production system with powerful manufacturing expertise• Total cost competitiveness• IT communications environment	<ul style="list-style-type: none">• Number of global bases 10 countries Domestic affiliated companies 29 companies Overseas affiliated companies 24 companies	<ul style="list-style-type: none">• In-house complete and seamless production structure• The ability to product design that generates high quality• Global development capabilities that comply with the regulations of each country• The ability to develop differentiated products based on a market-in concept• The ability to develop one-of-a-kind products that combine the Company's core technologies• Quality assurance systems to ensure high quality	<ul style="list-style-type: none">• Capital investment costs 7.5 billion yen• Depreciation 6.8 billion yen
 Intellectual Capital	<ul style="list-style-type: none">• Broad range of intellectual properties and technologies, from textiles to polymers• Corporate brand loyalty• Know-how	<ul style="list-style-type: none">• Number of major research and development centers: 2• Number of R&D personnel 36• Number of industry-government-academia collaboration projects 8 projects• Number of patents acquired Domestic 680; overseas 228• Number of designs acquired Domestic 248; overseas 10• Number of trademarks acquired Domestic 1,914; overseas 802• Number of utility model patents acquired Domestic 20; overseas 3	<ul style="list-style-type: none">• High-value-added product development capabilities, from R&D to sales• Increasingly sophisticated core technologies and the ability to create new businesses• Concentration of elemental technologies and development capabilities that maximize value• Promotion of industry-government-academia collaboration	<ul style="list-style-type: none">• R&D expenses 2.4 billion yen• Number of patents published 86 (Domestic 55, overseas 31)
 Social and Relationship Capital	<ul style="list-style-type: none">• Activities to address social issues through collaboration with local communities• Sustainable procurement based on harmonious coexistence and coprosperity	<ul style="list-style-type: none">• Number of investors and analysts Gunze communicates with: approx. 460• Diverse partnerships (suppliers, external research organizations,- customers, local public organizations, etc.)• Social contribution activities (disaster relief, supplying underwear and trees to NGOs and NPOs)	<ul style="list-style-type: none">• The provision of solutions to customers that integrate the sales, development, and manufacturing functions• Creating new value by collaborating with customers• Collaboration with suppliers through strong, trusting relationships• Traceability management of raw materials• Ability to respond to risk through the multiple procurement of raw materials• Establishing a strong corporate foundation	<ul style="list-style-type: none">• Brand awareness approx. 80% (Nikkei Brand Japan 2025 Survey)• Contributions to the local community: Entered into regional comprehensive agreements with Osaka Prefecture, Osaka City, and Kyoto Prefecture Model Forest Movement (forest conservation activity) Four times, total participants: 137 (collaboration with Kyoto Prefecture) Joined the emergency disaster response alliance SEMA Gunze Love Earth activities (support for six organizations, including NPOs)
 Natural Capital	<ul style="list-style-type: none">• Environmentally friendly products / services• Wholesaling of plants and trees	<ul style="list-style-type: none">• Energy consumption (domestic) 39,962 kL (Crude oil equivalent)• Environment-related investment: ¥500 million (Circular Factory ¥400 million; photovoltaic power generation and energy efficiency ¥100 million)	<ul style="list-style-type: none">• Environmentally friendly product development capabilities for a recycling society• Reducing negative environmental impact through Circular Factory and other initiatives• Reducing negative environmental impact through business activities	<ul style="list-style-type: none">• CO₂ emissions (Domestic + Overseas) Scope 1+Scope 2* 108,316t-CO₂ (Compared with FY2013 BM: 37.2% reduction) * Gunze Group total• No. of plants with ISO 14001 certification 15 business sites• Total waste generated 7,311 t