

Financial Capital

Aim to Achieve VISION 2030 stage2 by Implementing Investment and Financial Strategies That Focus on the Cost of Capital and the Stock Price

Results of the VISION 2030 stage1 Financial Strategies



Hirokazu Sawada
Director, Corporate Officers
General Manager of Finance & Accounting Department

In FY2024, the final fiscal year of VISION 2030 stage1 (V30-1), Gunze reported that sales and profits had increased compared to the previous fiscal year. Net sales stood at ¥137.1 billion, up 3.2% year on year. Operating profit came to ¥7.9 billion, up ¥1.1 billion. Ordinary profit totaled ¥8.1 billion, up ¥1.4 billion. Net profit was ¥6.2 billion, up ¥1.1 billion.

Net sales increased primarily due to the recovery of domestic demand in the field of plastic films, the growth of sales of products for office automation equipment and semiconductor-related products in the engineering plastics field, and the launch of new products and increased sales in China in the medical business.

Operating profit rose chiefly due to higher profits in the functional solutions and medical businesses, as well as improved profits in the sports club field as a result of structural reform, although profit in the apparel business declined due to decreased sales and increased costs, which included the effects of the weak yen.

However, Gunze did not meet its target operating profit of ¥10.0 billion for V30-1, and it also fell short of its initial fiscal year forecast, ¥9.0 billion. Return on equity (ROE) stood at 5.3%, increasing 0.9 percentage points from the previous fiscal year, but falling short of the target (6.3%).

FY2025 Forecasts

Gunze forecasts that net sales and operating profit will rise to ¥140.0 billion (up 2.1% year on year) and ¥8.5 billion (an increase of ¥0.5 billion) in FY2025, respectively, chiefly due to the growth of the functional solutions and medical businesses. However, net profit is forecast to decrease to ¥2.8 billion (down ¥3.4 billion) due to anticipated extraordinary losses related to structural reforms.

In the functional solutions business, net sales are forecast to decline 3.3% year on year, primarily due to Gunze's exit from the electronic components field. However, operating profit is projected to rise ¥0.8 billion compared to the previous year. This expected growth is largely attributed to the establishment of a resource recycling model centered around the Circular Factory™ (a resource recycling facility) in the field of plastics, the introduction of new environmentally friendly products to the market, and the expansion of the Konan Plant in the engineering plastics business to meet the increasing demand in the medical and semiconductor markets.

In the medical business, net sales are projected to grow 20.5% year

on year, driven by the global sales of artificial dermis, Bioabsorbable reinforcement felts and bone fixation devices and an increase in sales of Absorbable adhesion barrier sheet in the domestic market. Operating profit is expected to rise slightly, ¥70 million year on year, reflecting depreciation expenses related to new plants.

In the apparel business, FY2025 and FY2026 are designated as a period for structural reform. As the business will be focused on implementing revitalization initiatives, net sales are forecast to increase only slightly, and operating profit is projected to decline ¥0.3 billion.

In the lifestyle creations business, net sales are expected to increase 10% year on year, and operating profit is projected to rise ¥0.2 billion, primarily due to the expanding school business in the sports club field.

Net profit is projected to decrease. We will implement the financial strategies described below to make FY2025 a year for establishing the foundation needed to achieve the targets set in VISION 2030 stage2 (V30-2).

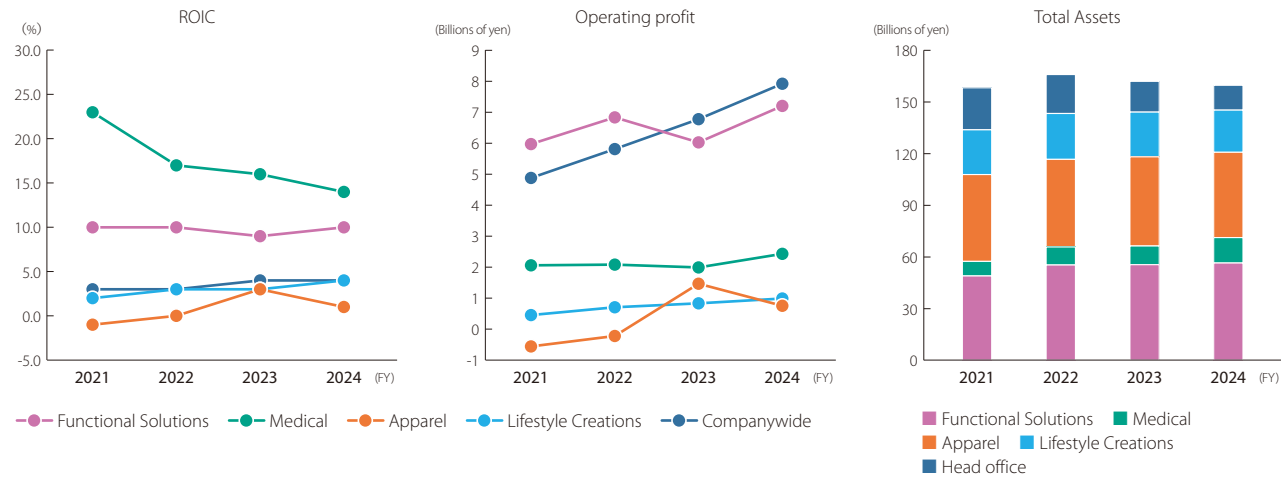
GVA / ROIC

Gunze Value Added (GVA; net operating profit after tax + dividend income – invested capital × WACC) in FY2024 was negative ¥0.9 billion. This is an improvement of ¥0.7 billion compared to the previous fiscal year, but it falls ¥0.7 billion short of the target. Gunze's goal was to move GVA into positive territory during the V30-1 period, but it was unable to achieve this goal. However, the effects of the Group-wide efforts to convert assets into higher-yield assets and enhance return on invested capital (ROIC) are increasingly evident.

The Group's total assets increased slightly, ¥1.5 billion greater than in the benchmark FY2021. While the Group reformed its structure to reduce low-profit assets, including the sale of cross-shareholdings and the discontinuation of unprofitable businesses, the total assets of the growth-driving medical business and the functional solutions business, which is contributing to the increase of profits, increased ¥13.8 billion. Consequently, the assets in these two businesses rose to 45% of the Group's total assets.

The ROIC for the Group as a whole in FY2024 was 4.3%, a 1.6-percentage-point improvement over FY2021. Looking at ROIC by segment, the ROIC of the functional solutions business remained in the 10% range. While invested capital increased significantly due to investments in the construction of the Circular Factory in the plastics field and the expansion of plants in the engineering plastics field, operating profit also increased. The ROIC of the medical business in FY2024 was in the 14% range due to active investments, primarily in the expansion of plants. ROIC is expected to rise to 25% in FY2027. The ROIC of the apparel business in FY2024 was in the 1% range. It is planned to increase the business's ROIC to the 5% range in FY2027 following the structural reforms planned in FY2025 and FY2026. Lastly, the ROIC of the lifestyle creations business improved to 3.8%, chiefly due to the structural reform of the sports club field. In the V30-2 period, the continued structural reform is planned, including the reduction of low-yield and low-growth assets, to enhance the Group's returns on capital.

Change in ROIC, Operating Profit, and Total Assets



VISION 2030 stage2 Financial Strategies

The Company's stock price increased approximately 40% during the V30-1 period, but the PBR remains below 1. It is still below the Company's liquidation value. We believe the primary reason for this is that, despite our steady progress in increasing profits and improving asset efficiency, our return on equity (ROE) has fallen short of shareholders' and investors' expectations regarding the cost of equity capital.

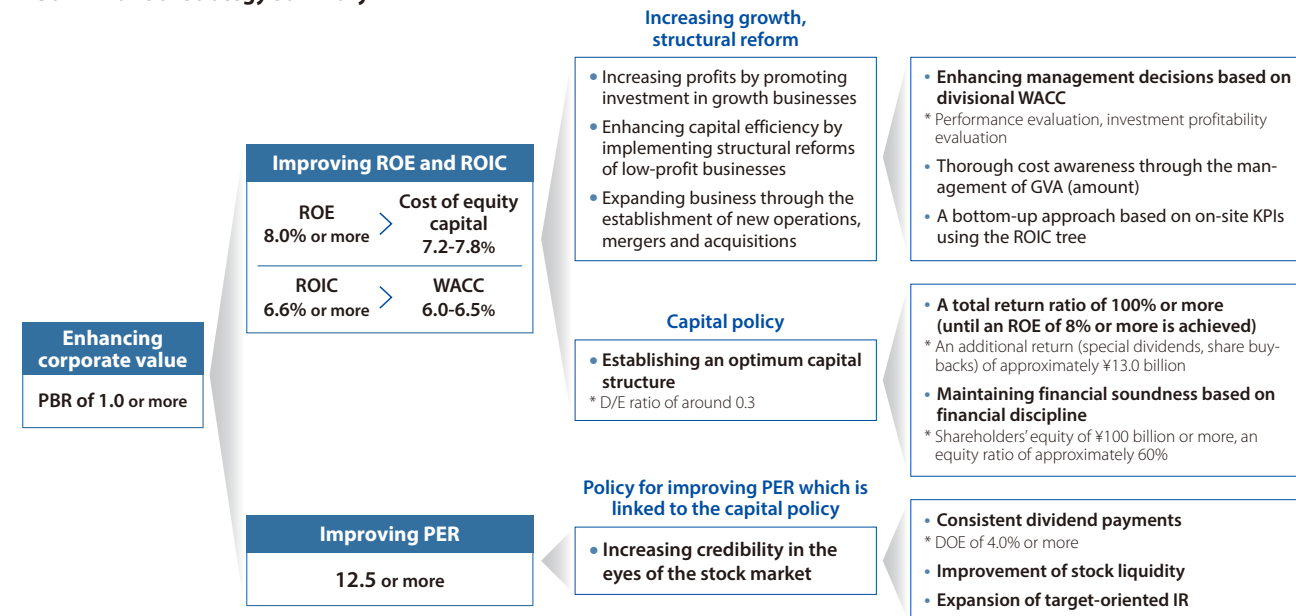
The Company has estimated the cost of equity capital for the V30-2 period to be between 7.2% to 7.8%. This estimate is based on the capital asset pricing model (CAPM) and investors' expectations of ROE, which the Company has determined through

communication with them. The Company has established a consolidated ROE target of 8% or higher based on this estimate.

To meet this ROE target, the Company will enhance its management using GVA and ROIC. For example, the Company enhanced its management using a GVA and ROIC tree during the development of V30-2. Through the on-site KPI management using this method, the Company will monitor the progress of plans, identify issues, develop and implement effective measures to address the issues, and achieve capital profitability that exceeds the divisional WACC and target ROIC.

Financial Capital

V30-2 Financial Strategy Summary



Establishing an Optimum Capital Structure

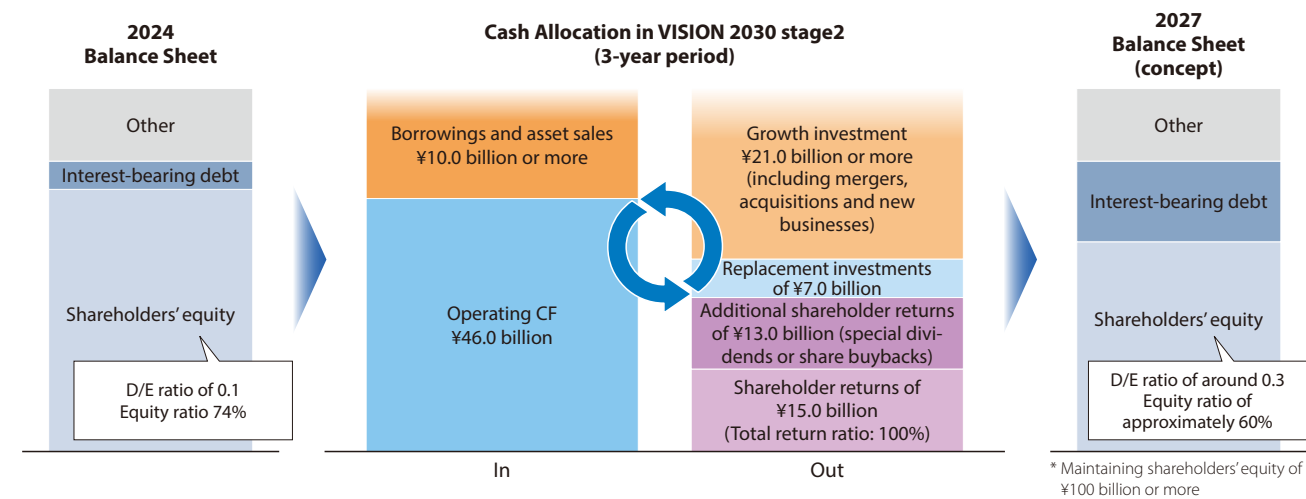
Gunze believes that it must optimize its capital structure to increase its consolidated return on equity. The Company has decided to develop a capital structure that emphasizes maximizing returns on capital and ensuring financial soundness (maintaining external ratings). Gunze emphasizes maintaining its external ratings because it is considering raising substantial capital in Japan, including refinancing, in and after FY2025. In a world with interest rates, we believe that maintaining external ratings is crucial to keeping funding costs low.

Based on financial simulations, Gunze has determined that its optimal capital structure for V30-2 is shareholders' equity of ¥100 billion or more and an equity ratio of approximately 60%. We estimate

that the debt-equity ratio for this capital structure will be approximately 0.3, and the WACC will be 6%-6.5%. We expect that by achieving the profit targets of V30-2, our ROIC spread will be positive. Gunze believes that any capital above this level should be returned to shareholders and investors, and it has decided to aim for a total return ratio exceeding 100%.

Currently, the Company estimates that it will return approximately ¥28 billion to shareholders during the V30-2 period, funded by net cash from operating activities. We expect that replacement investments will be kept within net cash from operating activities and plan to increase financial leverage by raising funds for growth investments from external sources.

Cash Allocation in V30-2 to Establish an Optimal Capital Structure



Improving Stock Liquidity

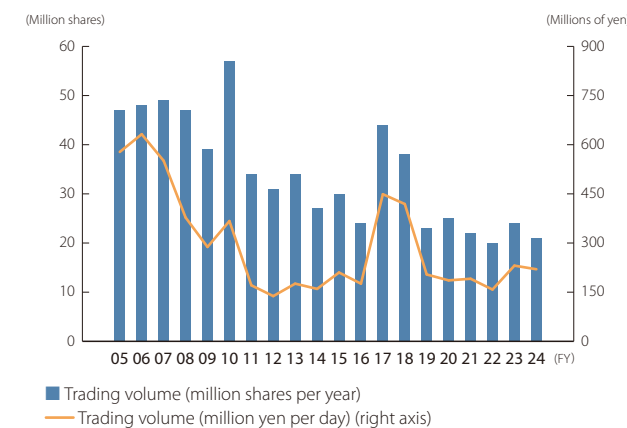
To enhance management's focus on the stock price, Gunze analyzed its stock performance over the past 20 years during the development of V30-2. The average daily trading volume of our shares has declined in recent years to around 50% of what it was during the peak years from FY2005 to FY2007. We believe that institutional investors are now less likely to trade the stock. We analyzed the factors contributing to the decline in liquidity and identified the following trends: (1) the number of shares in circulation has decreased due to share buybacks and cancellations; (2) there has been a noticeable decline in new individual shareholders; and (3) the current shareholders evidently tend to hold their shares for longer periods. We believe that even if return on capital increases, the stock price may not rise as expected unless the liquidity of the stock improves. Gunze has thus identified increasing the liquidity of its stock as a priority in V30-2 and considered specific measures to improve this issue.

First, the Company aims to stimulate trading, focusing on

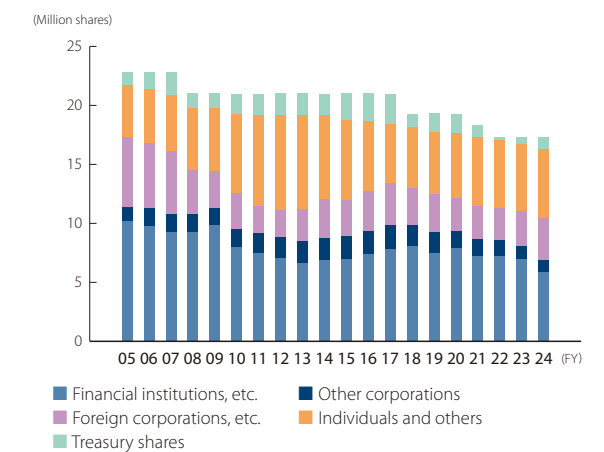
individual investors. We executed a stock split on April 1, 2025, and revised our shareholder benefits program. In response to feedback from shareholders and investors and social trends, we have changed our dividend standard, increasing the dividend on equity ratio (DOE) from 2.2% or more to 4.0% or more. In V30-2, the Company plans to achieve a total return ratio of 100% or more. In consideration of the liquidity of its stock, Gunze aims to increase the percentage of its shareholder returns that take the form of dividends.

When the trading volume increases and stabilizes, we will create new opportunities to engage in dialogue with investors, such as small meetings and information sessions, to encourage domestic and international institutional investors to trade the Company's stock. Through these initiatives, Gunze aims to enhance its return on capital and PER, ensuring that its PBR consistently exceeds 1 as quickly as possible.

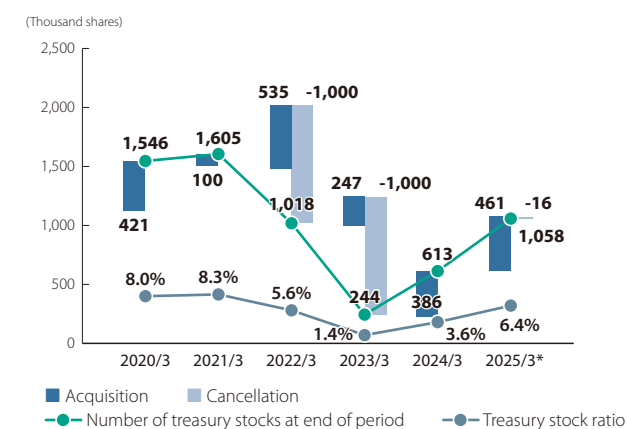
Change in the Trading Volume of the Company's Stock



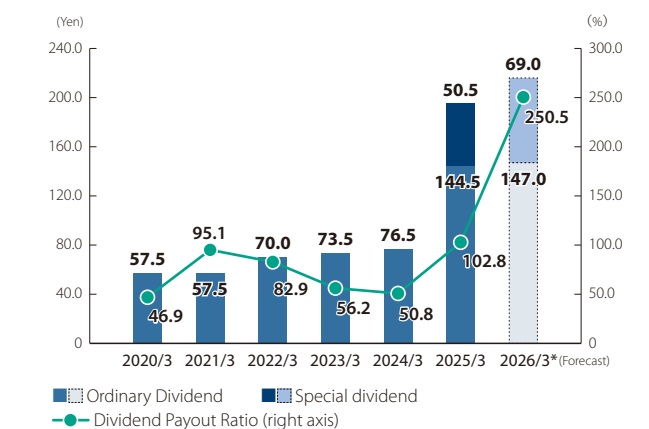
Change in the Company's Shareholder Composition



Treasury Stock



Dividend per Share, Dividend Payout Ratio



* The figures in the Change in Dividend per Share, Dividend Payout Ratio graph were calculated assuming the stock split had already been executed before the year in question. (The Company conducted a two-for-one stock split on April 1, 2025.)
The figures for the other graphs are calculated based on the number of shares before the stock split.

Human Capital

Human Resources Strategy to Be Competitive and Achieve Sustainable Corporate Value

Human Capital Accumulated Since Our Founding and Current Challenges



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

Our businesses have evolved significantly over time, but we have consistently preserved our founding philosophy, which is our guiding principle. This spirit represents our very reason for being, our mission and our purpose. Our founder devoted himself passionately to educating employees. He thought that to produce quality products,

the people who make them must first cultivate themselves, refine their character and approach their work with a noble spirit. The foundation of the management of a corporation is its people. It is essential to foster a culture that values, nurtures and empowers them. When a person is self-disciplined and takes responsibility for their own personal development, they can grow into a person that is valuable to society, elevate both their own character and the company's reputation and continue to provide high-quality products. However, the results of the employee engagement surveys we conducted over the past two years included low scores in career opportunities, satisfaction and motivation, and relationships with supervisors and colleagues, suggesting that our employees are not fully satisfied with their work or future career paths. Our overall scores are lower than the scores of our peers, companies of similar size and industry, with our results being particularly weak for employees in their 30s, an area that requires urgent action. While our strengths include satisfaction with salary and pride in the Company's business and services, the overall assessment may still characterize us as a so-called "cold organization" marked by weak communication between our team members. We are committed to fostering a corporate culture in which every employee feels engaged and motivated to fully demonstrate their strengths. By proactively implementing various measures, we aim to be a healthy and visionary company.

Materiality Initiatives, achievements and KPIs (FY2027 – FY2030 Targets)

Category	Indicator	FY2024		FY2027	FY2030
		Targets	Results	Targets	Targets
Evolution of Corporate Constitution	Promoting women's active participation	• Ratio of women in managerial roles	Over 6%	6%	Over 14%
		• Ratio of women employees	35%	35%	38%
		• Ratio of women new graduates hired on a main career track (excluding those working rotating shifts)	50%	52%	50%
	Child-rearing support	• Men's paternity leave utilization rate	50%	78%	70%
	Corporate culture reform	• Engagement score	70 points (estimate)	62 points	66 points (estimate)
	Work-style reform	• Annual paid leave utilization rate	75% (15 days)	73% (14.5 days)	80% (16 days)

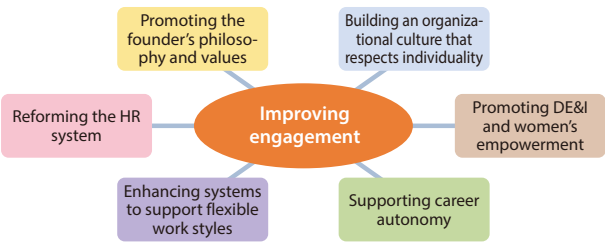
Engagement Score

Engagement is a measure of the trust-based relationships between employees and the Company, in which employees are motivated to demonstrate their capabilities and contribute to the organization's success. We conduct monthly engagement surveys to assess the condition of our employees and the organization and apply our findings in future initiatives.

Overview of engagement survey results

	Engagement Analysis (Main Items)		
Areas of strength	Satisfaction with salary	Cooperation between divisions	Pride in the Company's business and services
Areas with challenges	Providing career opportunities	Satisfaction and motivation	Relationships with supervisors and colleagues
Areas improved in the past two years	Work-life balance	Satisfaction with salary	The culture of taking on challenges

Engagement is influenced by a wide range of factors related to the company and its organizational environment. To address these factors and enhance engagement, we are implementing the initiatives shown on the right.



Human Capital Strategy under VISION 2030 stage2

Strategy

Our Medium-term Management Plan is built on the core concept, "building a sustainable business foundation to remain a company of choice around the world." As part of this, our human capital strategy focuses on developing talent and cultivating an organizational culture that can effectively execute management strategies to sustainably increase the value of the corporation and its competitiveness.

Required qualities

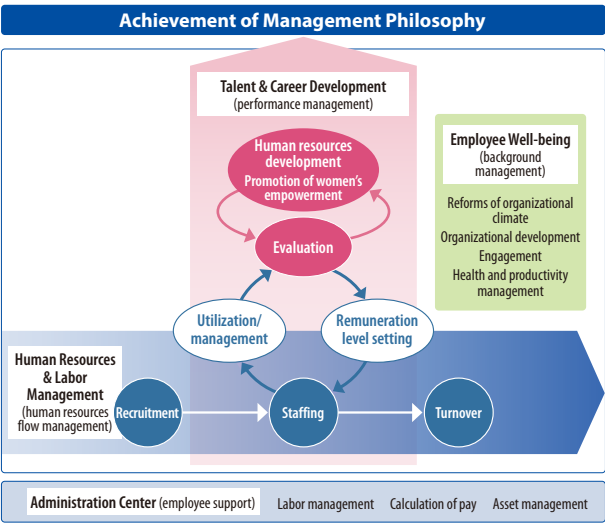
To ensure that all employees can have a sense of purpose and satisfaction in their work and continue to thrive over the long term, we have defined our desired talent profile around three key attributes:

Diverse	: Embracing individuals with diverse values and innovating disruptively through the synergy of their strengths
Self-directed and proactive	: Thinking and acting independently, rather than waiting for instructions
Taking on challenges	: Pursuing aspirational goals without fear of change

Human resources management policy

Based on our human resources strategy and the qualities we seek in our talent, we have established our Human Resources Management Policy around three principles, fairness, reasonableness and transparency, to ensure that employees who meet expectations can have long and fulfilling careers. Our policy is for employees to "pursue personal growth by continuously delivering

results commensurate with their experience and the stage of their career while passing knowledge on to the next generation." Guided by this policy, we are implementing various initiatives to realize our vision for the future. To maximize the impact of personnel system reforms aligned with our management and personnel strategies, it is essential to not only advance human capital management initiatives but also promote a reform of our organizational culture that delivers sustainable impact. Accordingly, we reorganized the Human Resources Department in 2025, ahead of our institutional reforms.



Type of human resources we seek		
Diverse Innovate disruptively through synergy between diverse individuals	Self-directed and proactive Think and act proactively, rather than simply waiting for instructions	Taking on challenges Embrace change and work towards realizing our ideal self
Human Resources Management Policy: Promote personal growth by continuously delivering results commensurate with their experience and the stage of their career while passing knowledge on to the next generation		
Fairness From seniority-based to merit-based	Reasonableness Optimal balance between individual careers and organizational management	Transparency Open and honest communication

Personnel Measures	Current State (as is)	Future State (to be)
Recruitment	New graduate to mid-career hiring ratio: 7:3	New graduate to mid-career hiring ratio: 5:5
Staffing	Department- and company-centered	Balanced: company-wide optimization with both corporate and individual priorities
Development	Generalist-focused Organization-dependent	Management, specialist and core expertise roles Self-driven
Evaluation	Evaluation for advancement and promotion	For development
Compensation (grading/remuneration)	Seniority-based wages (skill-based pay)	Role- and responsibility-based wages
Retirement	Talent outflow	Talent retention

A workplace for long and fulfilling careers!

Human Capital

Personnel System Reform for the Sustainable Creation of Corporate Value

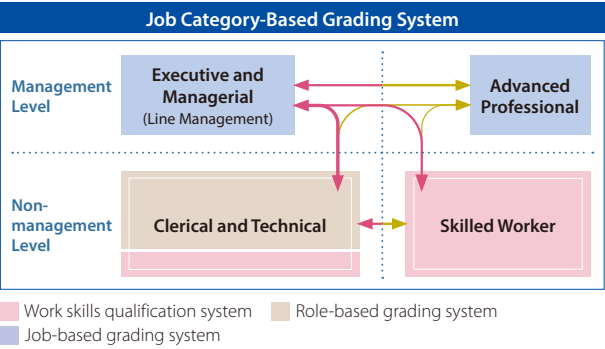
Basic policy

In response to changes in the social environment and employee values, we aim to sustainably increase corporate value by building a system grounded in the principles of fairness, reasonableness and transparency; a system that enables individual employees to have a sense of purpose and satisfaction, fully demonstrate their strengths and continue to thrive.

Personnel measures (effective from FY2026)

- Embrace diverse values and increase the percentage of people hired mid-career to 50%.
- Establish a group of highly skilled professionals with a strong market value that are compensated on par with line management.
- Design evaluations that reward employees who take on challenges without fear of failure.

- Abolish the traditional job-course system (career track, regional career track and non-career positions). Instead, divide job categories according to role expectations at the company-wide level and introduce a grading system tailored to the characteristics of each category, thereby enhancing consistency and fairness across responsibilities, duties and compensation.
- Link organizational objectives with individual goals by incorporating ambitious targets that accelerate both corporate and employee growth, thereby reinforcing confidence in the evaluation process.
- Minimize seniority-based elements to eliminate mismatches between responsibilities and compensation.
- Expand options that reflect employees' life stages and personal aspirations and implement placement strategies balancing company and individual priorities and creating systems that enable employees to have long and fulfilling careers.



Performance Management System / Personnel Evaluation System	
Development	Combination of management, specialist and core expertise roles Self-driven
Evaluation	For development
Ideal vision of the performance management system	A system in which diverse employees proactively set challenging goals that leverage their strengths, thereby contributing to organizational growth
Ideal vision of the personnel evaluation system	A tool whose function is to develop employees by helping them build on their strengths and overcome weaknesses

Promoting Women's Empowerment

The Gunze Group positions DE&I as a key pillar of its human resources strategy and proactively promotes the empowerment of women

Establishment of the Women's Empowerment Office

In April 2025, we established the Women's Empowerment Office within the Human Resources Development Section of the Personnel & General Affairs Department. The office leads initiatives, such as increasing the percentage of people hired that are women, formulating individualized development plans for candidate managers who are women and providing training to eliminate unconscious bias.

Increase of management's awareness

In October 2024, we hosted a company-wide lecture under the theme "Human Capital Management Beginning with the Empowerment of Women." The lecture, delivered by a guest speaker, emphasized the importance of empowering women and introduced best practices implemented by leading companies. Prior to the event, we conducted an internal survey about female employees' career aspirations and the challenges that hinder women's advancement. Referencing the results of this survey, President

Saguchi discussed the issues with the lecturer and shared his message about the empowerment of women with all employees.

Development and implementation of a system to promote women to leadership positions

The Gunze Leadership School Ladies (GLSL) training program conveys the Company's expectations regarding female employees, facilitates employees' independent creation of visions for their careers and encourages people to demonstrate leadership within the organization. In FY2024, the program was extended to include employees in non-career positions, and there have been 65 participants over the past three years. The program has supported employees taking ownership of their careers in many different ways. Some participants have advanced into management roles, while others have redefined their career paths and pursued reskilling.



GLSL training

Support for Childcare and Nursing Care

We have three visions regarding support for work-life balance: no employee should have to leave the Company due to their childcare or nursing care responsibilities, we shall develop an organizational culture where employees can confidently use the systems that are in place, and employees should be able to continue to demonstrate their abilities and further their careers even after experiencing childcare or nursing care. Based on the results of an internal survey conducted in FY2024 and in line with the revised laws that came into force in April 2025, we have revised our support systems as summarized in the table on the right. We remain committed to building sustainable support mechanisms and embedding them into our organizational culture.

Work-life balance support programs

Childcare	Nursing care
Childcare leave (until the child is two years of age; includes five days of paid leave)	Nursing care leave (up to one year)
Shorter working hours for childcare (until the child completes 6th grade of elementary school)	Shorter working hours for nursing care (up to a total of three years)
Child nursing care leave (until the child completes 6th grade of elementary school)	Nursing care leave
Subsidies for childcare services (1) Daycare fees (2) Extended childcare fees (3) Babysitter fees	Subsidy for nursing care service fees
Work-life balance counseling	
Work-Life Balance Support Handbook for sharing information	

Health and Productivity Management Initiatives

Protecting the health and safety of employees is a fundamental prerequisite for business operations. Many companies implement health initiatives in line with the requirements of the Ministry of Economy, Trade and Industry's KENKO Investment for Health Outstanding Organizations Recognition Program. Although we have not yet obtained this certification, we have implemented fundamental initiatives for a long time, including ensuring that all employees have regular health checkups, encouraging employees that require treatment or further examination to consult medical professionals, establishing and operating a rehabilitation work system to support employees returning from personal illness or injury leave, implementing infectious disease prevention measures and

promoting anti-passive smoking policies. We therefore believe that we already have a foundation for health and productivity management in place. Beginning in FY2025, with advice from external experts, we will thoroughly analyze our current situation to identify challenges, set our future direction and develop specific initiatives to address these challenges in order of priority. We will also work in collaboration with the health insurance association to ensure these initiatives are efficiently and effectively implemented. We will continue to advance health and productivity management to ensure that employees remain physically and mentally healthy and able to perform at their best.

Column
Balancing work and family, contributing to the Company from a medium- to long-term perspective



Chinatsu Kobayashi
Senior Manager, Legal & Compliance Office, Intellectual Property/Legal Department

I was hired by Gunze in 2016 as a mid-career hire, and I was appointed Senior Manager of the Legal & Compliance Office in 2025. Our office handles legal consultations and contract reviews. It also provides legal support for the implementation of business initiatives under the Medium-term Management Plan. Outside of work, I am a mother of two. I lead a busy life. At home, our rule is "whoever can, does what they can." My husband and I share responsibilities, such as picking up and dropping off our children at daycare or cram school, as well as cooking. Even with overseas business trips or urgent meetings that sometimes keep me late, I am able to manage my family responsibilities thanks to the support of my husband. I always make a conscious effort to set clear priorities and manage my time effectively. There are times when childcare and personal matters must take precedence, but rather than feeling pressured or discouraged by comparing myself to others, I believe it is important to maintain a medium- to long-term perspective and continue contributing to the Company.

Driving globalization around the world



Faisal Chowdhury
Manager, Gunze United Limited

With experience as a merchandiser in the apparel industry and prior work experience in Japan, I joined Gunze United in 2014 as a Japanese-language interpreter, and I also took on sewing thread sales responsibilities. At that time, Gunze sewing thread did not have a high profile in Bangladesh, and it was extremely difficult to receive orders. However, through frequent customer visits, I was able to build strong relationships of trust. This success enabling me to contribute to the Company gave me great confidence. Becoming a full-time employee of Gunze was an important milestone in my life, and I am deeply honored to have had that opportunity. Today, I travel around the world to help our global business, one of the key priorities under VISION 2030 stage2. With the spirit of "never giving up, and always hoping for the best," I am committed to continuing to contribute to our business.

Manufactured Capital

Pursue Technology-Driven Solutions to Meet Customer Needs and Drive Global Growth Strategy

Manufactured Capital Cultivated Since Our Founding



Tomohisa Okuda

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

Gunze has a history that spans 130 years. Since its founding as a silk-reeling company, it has operated under the philosophy, “producing fine and elegant thread,” and it has grown guided by three principles: an unwavering commitment to putting quality first, co-existing and prospering together with its stakeholders, and the establishment of an integrated production system. These principles have supported the Company’s steady growth and progress. The manufacturing mindset of delivering superior quality at fair prices symbolized by the Company’s innerwear slogan, “Golden

quality for silver prices,” remains deeply rooted in all of its plants today, transcending its lines of business and generations.

Strengths and Challenges in Manufactured Capital
Building on the technological assets it has cultivated over many years, Gunze has extended the technologies it developed in the apparel business into growth fields, such as medical products and engineering plastics. In the medical business, for example, we have focused on the keyword “bioabsorbable,” applying knitting and yarn-processing technologies developed in the apparel business to meet needs of medical practices. This fusion has enabled us to create distinctive products, such as Bioabsorbable reinforcement felts, enabling Gunze to transform these technologies to provide differentiated products unmatched by competitors. In engineering plastics, our fluoropolymer filter support materials are textiles that add structural and functional value, in addition to the inherent properties of the resin itself. This is another strong example of the transfer of apparel-derived technologies into new domains. Gunze’s strength lies in its ability to transcend technological boundaries and apply its expertise across many fields. We believe our cross-disciplinary ability to create new products from both functional and structural perspectives is the true source of our competitiveness. At the same time, the business environment surrounding manufacturing has been rapidly changing and growing more complex in recent years, making it difficult to continue to be competitive using traditional approaches alone. For Gunze, strengthening our manufactured capital, the foundation of manufacturing, has become an indispensable part of the business and a key management priority.

Initiatives under VISION 2030 stage2

Under the Medium-term Management Plan VISION 2030 stage2 (FY2025–FY2027), we will strengthen manufactured capital to enhance quality and reduce costs by increasing productivity, while also establishing a sustainable production system. Our specific initiatives are:

1. Establish smart factories through automation and digital technologies
We will utilize image processing, sensing, handling and other automation technologies, and digital technologies, including AI, to visualize and optimize production processes and the entire supply chain. By reducing reliance on manual processes, we will address challenges, such as the transfer of skills and the labor shortage, to improve productivity and quality.

2. Establishing production processes that minimize environmental impact
We will introduce renewable energy and resource-circulating practices at all plants, both in Japan and overseas, aiming to reduce the environmental burden of production while also generating profit. A good example is the Circular Factory™ at our Moriyama Plant within our Plastic Film Company. It is a model for environmentally

responsible production. Through these efforts, Gunze will reinforce its manufactured capital, the bedrock of manufacturing, to build a sustainable and competitive corporate structure for the future, while contributing to solutions to social issues and continuing to deliver better products and services to customers.

Continued Innovation in Manufacturing Technologies

Since VISION 2030 stage1, Gunze has been an innovator in the field of manufacturing technologies, with a focus on automation and digital solutions. In stage2, we will continue to advance and strengthen these technologies, rolling them out throughout the Company. In automation, we have combined elemental technologies, such as image processing, sensing, and handling technologies, to automate processes that previously depended heavily on people. In stage1, we successfully built an automated bonding-sewing line for apparel products by integrating handling technologies to pick up delicate fabric sheets one at a time, sensing technologies to transport and place them precisely, and image-processing technologies to apply adhesives accurately. In stage2, we will extend these technologies to the highly complex sewing processes in the apparel business and the manufacturing of bioabsorbable medical products in the medical business. Full-scale operations are scheduled to begin in the second half of FY2025. We will also promote the automation of inspection processes, which still rely significantly on skilled human visual inspection procedures, across all of our business units. With the future labor shortage in mind, we are working to enhance accuracy, improve speed, and reduce workload using image processing and automated conveyance technologies.

Strengthening the Digital Strategy
In parallel, we are strengthening our digital strategy. In stage1, we introduced digital tools in our sales and back-office functions to redesign workflows. This included the visualization of management data using a management dashboard, streamlining routine tasks with Robotic Process Automation (RPA), and managing and visualizing KPIs to reduce inventory. These efforts have advanced efficiency and transformed the organization. In stage2, we will use AI to further strengthen our digital strategy. Companywide, we will introduce ChatGPT-based tools to share knowledge and support businesses while also building a knowledge system for maintenance operations using Retrieval-Augmented Generation (RAG) technology. In production and supply chain management (SCM), we will use AI to optimize scheduling and monitor inventory data in real time, preventing stockouts and overstocking, and thereby reducing storage costs. By continuing to innovate in the field of manufacturing technologies, we aim to realize sustainable and competitive manufacturing while delivering new value to society and our customers.



Automated bonding-sewing line for apparel products

Intellectual Capital

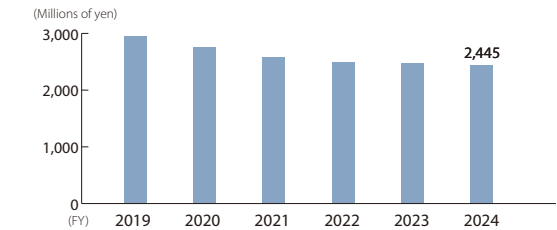
The Sustainable Strengthening of Intellectual Capital Through the Creation and Development of Differentiated Technologies and Intellectual Property

Our Fundamental Technologies and Intellectual Capital

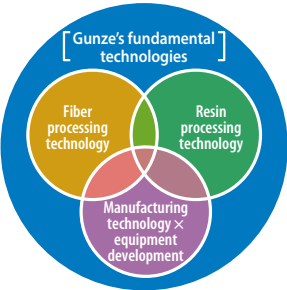


Masafumi Yamagami
Corporate Officer
General Manager, Innovation Department

Gunze Group R&D expenditures



The Gunze Group's fundamental technologies, are fiber processing technology, resin processing technology, and the integration of manufacturing technology with equipment development, and they are recognized as components of its intellectual capital. These accumulated strengths form the foundation of the Group's business.



Our business divisions proactively develop products and technologies based on the needs of customers while continuing to strengthen and develop existing technologies. At the same time, the Technology & Development Department and the Innovation Department, which are both head office functions, lead cross-organizational, medium- to long-term initiatives to reinforce and develop fundamental technologies. The Technology & Development Department focuses on reforming cost structures by creating smarter processes, while the Innovation Department is dedicated to creating new and differentiated technologies. By managing and leveraging the results of these technological efforts as intellectual property, we ensure that we are able to sustainably increase our intellectual capital.

R&D Structure and Focus Areas

In April 2025, Gunze reorganized its R&D structure into three laboratories aligned with its key business domains, functional solutions, medical, and apparel, to strengthen the foundation of each business. Each laboratory focuses on the research and development of raw materials and processing technologies in its own field, working to develop differentiated technologies that are the basis for new high-value-added product lines. The Functional Materials Laboratory carries out R&D regarding the design and molding of composite and multilayer materials made using high-performance resins, building on and further advancing our accumulated technologies. The Medical Device Materials Laboratory conducts R&D on bioabsorbable materials and processing technologies with the goal of creating distinctive high-value-added products that address real-

world medical needs. The Fiber & Textile Development continues to develop the modification and fabric processing technologies we have accumulated in pursuit of products that deliver comfort solutions for life. Leveraging the material design and raw material processing expertise cultivated in the Functional Solutions business, the laboratory also develops high-performance fibers not only for apparel applications but also for industrial use. These R&D activities are supported by our expanded collaboration with companies outside the Group and academic institutions, along with reinforced cross-functional cooperation within the Group. All of these efforts are aimed at achieving more effective and efficient results.



Intellectual Property Development



Naoko Hayashi
General Manager, Intellectual Property/
Legal Department

To solidify the accumulated technologies that we regard as our intellectual capital, it is essential that we document tacit knowledge, such as the expertise and ideas of individuals, and manage it systematically as IP rights and expertise. We believe that continuously rebuilding our IP portfolio while ensuring it stays aligned with our corporate and business strategies is essential to the achievement of sustainable growth and development. To this end, we have established the IP Division as a head office function. It is responsible for formulating and promoting IP initiatives in line with our corporate strategy. In particular, we emphasize the establishment of a robust IP portfolio to reinforce the foundation of our business. This involves analyzing our proprietary IP assets in priority business domains, together with trends in the market and our competition, and sharing these findings with each business division. By integrating this information with various other data, we identify the technology areas to

be reinforced and establish policies for each domain. Building on this foundation, we are advancing initiatives through cross-divisional collaboration. To bridge the IP initiatives with the R&D and business divisions, we appoint heads of development in each division as division patent officers (DPOs). These DPOs closely collaborate with the IP Division to strengthen alignment with business strategies and accelerate the making of decisions and management related to intellectual property, including the development of IP and responses to violations of IP rights.

Expansion of Intellectual Property

To encourage the creation of IP, we present the Da Vinci Award, an original corporate accolade, to the inventors of patents and innovations that significantly contribute to our business. The award ceremony is held in a dialogue format, with the President personally listening to the inventors' ideas and development stories. It is positioned as an annual tradition that conveys our respect and appreciation for our engineers. In recent years, the business divisions and the IP Division have strengthened their collaborations in the area of resource circulation technologies, plastic recycling in particular, to further expand our IP portfolio. This growing body of IP is the vital foundation that enables the Gunze Group to actively contribute to a sustainable society, and its value will only continue to increase going forward.

Number of patents, designs, and trademarks held by the Gunze Group (domestic and overseas)

		FY2022	FY2023	FY2024
Patents held	Domestic	655	691	680
	Overseas	249	249	228
Designs	Domestic	200	216	248
	Overseas	8	10	10
Trademarks held	Domestic	1,946	1,934	1,914
	Overseas	796	803	802



Recipient of the FY2025 Intellectual Property Achievement Award

In FY2025, the Gunze Group received the Japan Patent Office Commissioner's Award during the Intellectual Property Achievement Awards in recognition of its initiatives to effectively utilize the intellectual property rights system. Key points of the evaluation of Gunze included:

- (1) The appointment of division patent officers (DPOs) to serve as central drivers of IP activities in each business division
- (2) The prioritization of plastics recycling technology and the proactive promotion of the creation of IP in this field
- (3) The effective use of an IP mix (patents, designs and trademarks) throughout business operations



Left: Yota Ono, Japan Patent Office Commissioner
Right: President Saguchi

////// Social and Relationship Capital

Enhancing risk management and compliance systems to sustainably improve corporate value

Gunze's Legal Strategy



Naoko Hayashi
General Manager, Intellectual Property/
Legal Department

The mission of the Gunze Group's Legal Department is to "leverage the law to make correct business decisions." "Correct" has two distinct meanings. The first relates to the provision of products and services that result in the satisfaction of our business partners and consumers while we generate a profit in a competitive market. The second interpretation refers to being correct in the context of compliance, which naturally includes adherence to the laws and regulations that govern businesses and corporations. It also includes ethically correct responses to the needs of society. These two meanings of correct are not in conflict. We believe that a tree grown in the soil of compliance will bear the fruit of profit. These basic thoughts have remained unchanged since the foundation of Gunze. To provide support regarding both of these meanings of correct, the Legal Department assists with contract negotiations, provides advice regarding the terms and conditions of contracts, researches laws and regulations relevant to the Group's businesses, and provides consultation about everyday legal matters and training to ensure that people thoroughly understand and are aware of legal compliance.

Gunze's Promotion of Compliance

The Gunze Group has created an internal Advice Hotline designed to quickly identify the causes of industrial accidents, misconduct, harassment, and other compliance violations and respond appropriately. The Group has also established an external whistleblower hotline that is staffed by outside attorneys. To communicate the Group's basic compliance policy throughout the Group, we publish messages from top management on the intranet and by displaying posters. We have revised our internal regulations to inform all employees about the availability of hotlines and encourage its use. A large number of technical trainees are working within the apparel business. More than 90% of these trainees are from Vietnam or Indonesia. In consideration of this, we established consultation desks where these trainees can receive assistance in Vietnamese and Indonesian in FY2024. To resolve problems, these consultation



desks promptly and fairly investigate reports submitted by trainees and ensure the privacy of the trainees. We are translating the employment regulations for technical trainees to ensure they can work with peace of mind. Some plants already have the Vietnamese-language version of the employment regulations.

Breakdown of reporting and consultation

Cases	FY2023		FY2024	
	Hotline	External reporting desk	Hotline	External reporting desk
Workplace relationships	4	0	3	2
Sexual harassment	2	0	0	0
Power harassment	4	0	3	2
Facts subject to whistleblowing	1	0	0	1
Others	7	0	7	3
Total	18	0	13	3*

* It is possible for a single report to the external whistleblower hotline to involve multiple compliance issues, and the sum of the numbers in the rows for the different types of compliance issue may not equal the number in the Total row.

Implementing Supply Chain Management

Initiatives to ensure respect for human rights (Human rights due diligence)
Gunze's founding philosophy emphasizes respect for human rights, and the Group has always valued the rights of all individuals associated with it. In 2021, we established the Gunze Group Sustainable Procurement Guidelines to clarify our policy on respecting human rights and other sustainability issues. We collaborate with our suppliers to address these matters. Since the United Nations announced its Guiding Principles on Business and Human Rights, companies have been asked to better live up to their responsibilities to society. Since FY2022, the Group has been enhancing its efforts and conducting the following assessments.
In-house assessments
In light of human rights risk cases involving non-Japanese technical interns at other companies, the Gunze Group conducted a survey of six plants in Japan to assess the situation at these plants. In FY2023 and FY2024, we conducted on-site inspections, including interviews of non-Japanese technical interns, to assess the hygiene conditions in their working and living environments. In FY2024, we requested that 15 manufacturing plants to which we outsource operations in the apparel business that hire non-Japanese technical interns conduct self-checks and confirmed that they are in compliance with labor-related laws and regulations. We will continue to conduct assessments regularly to ensure these plants are operated properly.

	Number of plants surveyed regarding non-Japanese technical interns*1		
	FY2022	FY2023	FY2024
Domestic plants	Six plants (Yanase Plant, Miyazu Plant, Yabu Apparel Ltd., Tohoku Gunze Co., Ltd., Tsuyama Gunze Co., Ltd. and Kyushu Gunze Co., Ltd.)	Three plants (Miyazu Plant, Tohoku Gunze Co., Ltd. and Kyushu Gunze Co., Ltd.)	Two plants (Yanase Plant and Tsuyama Gunze Co., Ltd.)
Outsourced manufacturing plants			Fifteen plants

*1 The survey was conducted at all six domestic plants and fifteen outsourced manufacturing plants that had technical interns working for them at the time of the survey.

Supplier assessments
Since FY2022, the Gunze Group has been assessing key suppliers in

certain business divisions to identify, analyze and evaluate adverse impact and risks on human rights and develop and implement appropriate measures. To assess the status of suppliers' efforts regarding respect for human rights, environmental conservation and quality and safety, we asked suppliers to perform a self-assessment using the Global Compact Network Japan's CSR Procurement Self-Assessment Questionnaire*2 (the "Self-assessment") and evaluated their responses. In FY2022 and FY2023, we asked 115 major domestic suppliers in the apparel business, medical business, plastics field, engineering plastics field, and textile materials field to perform a Self-assessment of their performance. The results of the Self-assessment 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 efforts to be insufficient. In FY2024, we asked four key Gunze Medical Limited suppliers to perform a Self-assessment of their performance. For the first time, overseas suppliers were included in the scope of the survey. The Self-assessments in the past three fiscal years revealed no issues regarding the working environments within our supply chain. However, our staff individually spoke with personnel at suppliers whose scores were low, and we are collaboratively working to improve their conditions.

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

	Number of suppliers surveyed*3
	From FY2022 to FY2024
Plastics field	14
Engineering plastics field	9
Medical business	5
Gunze Medical Limited	4
Apparel business	75
Textile materials field	12

*3 In FY2022, the scope of surveyed suppliers was broad. However, to standardize practices across business divisions, the scope of the survey was revised in FY2023 to include major suppliers that account for approximately 80% of the total amount of transactions. From FY2023, we received responses from almost all of the suppliers we asked to participate in the survey.



Lectures provided by members of the Intellectual Property/Legal Department during in-house training programs

The Intellectual Property/Legal Department provides training regarding laws, including the Subcontractor Payment Act, Antimonopoly Act, Act against Unjustifiable Premiums and Misleading Representations, New Freelance Act, and Product Liability Act. It also provides training on how to read patent documents and key considerations when filing patent applications. Guided by the mottos "Everyone is an instructor" and "Leaning by teaching," department members who aspire to become experts in their fields lead these training programs as instructors. Employees can participate in training either in-person or remotely. If they are unable to attend training due to work commitments, they can watch training videos available on the intranet. In FY2024, a total of 582 employees participated in the Intellectual Property/Legal Department's training programs.



Natural Capital

Achieving Environmentally Friendly Management to Improve Business Sustainability

Gunze's Initiatives on Natural Capital



Tomohisa Okuda

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

Gunze has worked to reduce CO₂ emissions, prevent airborne pollution and water contamination, and manage chemicals to make manufacturing sites environmentally friendly. To reduce CO₂ emissions, we visualized our electrical energy usage through the introduction of cogeneration systems (equipment that simultaneously produces electricity and waste heat) and Energy Management Systems (EMS) in many plants and improved our energy-saving activities. This led to improved energy efficiency, which has contributed to a reduced impact on the natural environment. We also focused our efforts on energy creation through solar panels that utilize solar energy as natural capital, promoting decarbonization through buying back environmental value (non-fossil certificate with tracking) through the use of FIT (a system to set the purchase price of renewable energy by law). We have also worked to reduce air pollutant emissions by shifting from crude oil to LNG and other fuels.

Strengths and Challenges in Natural Capital

In the plastic films field, we established a recycling system at the Moriyama Plant, one of our key facilities, by moving forward with the Zero Waste Project that aims to reuse resources. In FY2024, we achieved a 70% reduction in waste plastic emissions.

In the apparel business, we worked to reduce water usage in the dyeing process by reusing cooling water for air conditioning systems in the dyeing process. We also established our own standards that are stricter than legal regulations, and through strict operation and management of wastewater treatment facilities, have improved water quality to levels suitable for discharge into rivers. In addition to being environmentally friendly in the manufacturing process, Gunze has been focusing on developing products that contribute to the environment. We developed and commercialized Eco Magic Technology, which allows innerwear to be washed using only water, and have also developed and commercialized thin-film technology that reduces plastic use.

These initiatives are based on the Basic Environmental Philosophy found in the Gunze Group Environmental Charter: By offering environmentally responsible products and services, we aim to

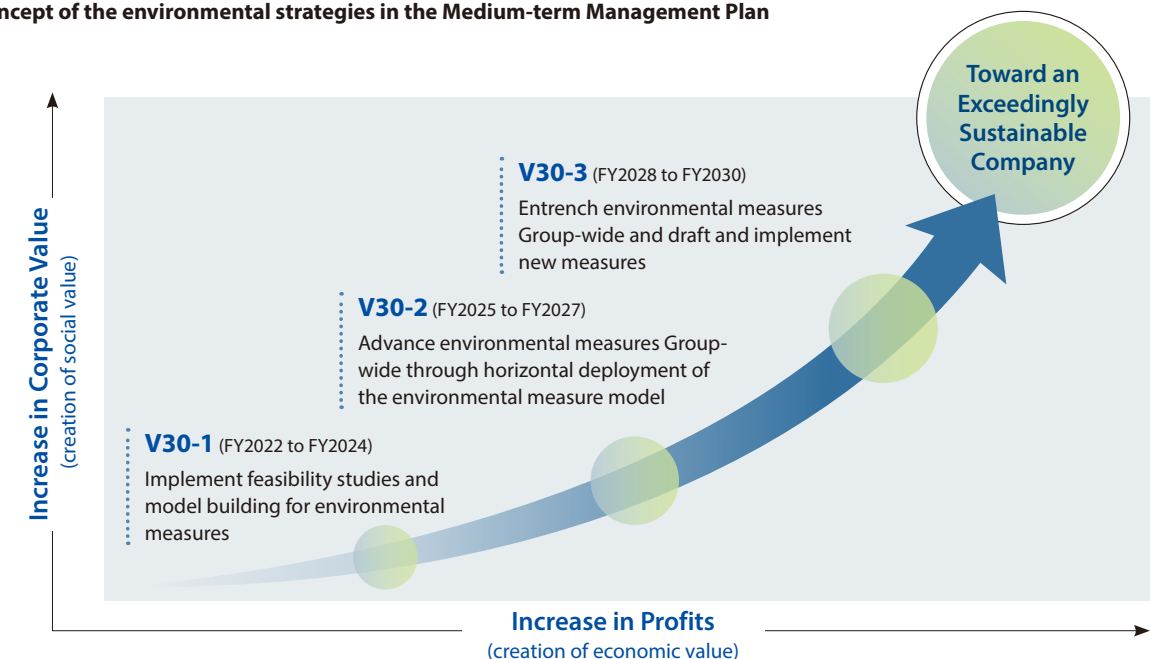
contribute to the development of an affluent, sustainable global society. We fully understand our reliance on the gift of nature, so we strive to maintain harmony with the global environment and promote the preservation of biodiversity. We will continue to work to reduce our impact on the natural environment based on this philosophy.

Our strengths in developing production and environmental technologies that reduce environmental impact have been cultivated through these initiatives. However, these capabilities are limited to individual management in each business division, and we recognize that insufficient development from a Group-wide perspective has been an issue.

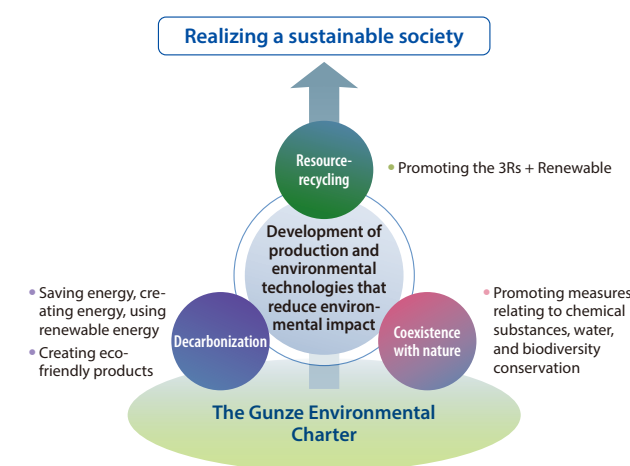
Moving forward, we will develop our systems so these division-level capabilities can be expanded Group-wide, and we will promote initiatives through a three-pillar approach, adding coexistence with nature, which takes Task Force on Nature-related Financial Disclosures (TNFD) into account, as the third pillar along with the resource recycling and decarbonization that we have already been focusing on.

VISION 2030 stage2 Environmental Strategies

Concept of the environmental strategies in the Medium-term Management Plan



Activity progress of stage2



In our previous VISION 2030 stage1, we worked on implementing and verifying environmental policies, as well as the creation of models. In stage2, which follows the first stage (see above chart), we will work to further reduce our environmental impact by strengthening our activities based on the established model, focusing on the three pillars of resource recycling, decarbonization, and coexistence with nature.

In resource recycling, we will promote recycling (advanced resource circulation) and reducing (minimizing resource use) with

a Group-wide perspective, based on our 3Rs + Renewable policy. We will recycle chemical product waste from all sites and will enhance our initiatives in collecting and reusing used organic solvents. We will also promote the development and Group-wide deployment of new resource recycling technologies, applying the technologies established in stage1 to separate and recycle mixed waste.

At the same time, we aim to reduce our environmental impact by working to simplify and downsize packaging and review materials used in packaging, and we will also begin to reduce the amount of primary and secondary materials used. In the production process as well, we aim to optimize water and energy usage through the use of AI technologies, striving for efficient and sustainable operations.

In decarbonization, we will promote achievable energy innovations such as improving the efficiency of air conditioning systems, building heat exchange systems from new perspectives, and enhancing the efficiency of wastewater treatment, in addition to the energy saving, energy creation, and renewable energy initiatives we have been working on. Through these technological innovations, we will actively take on the challenge of creating eco-friendly products.

In coexistence with nature, we will promote business activities that minimize ecological impact, focusing on optimal management of chemical substances and water resources. Through these Group-wide initiatives, Gunze will contribute to the realization of a sustainable society.

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Natural Capital

Climate Change Initiatives and Information Disclosure (TCFD)

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) Governance

Governance relating to climate change is part of our sustainability promotion structure (p. 59).

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.)

(2) Risk management

Major risks related to climate change are based on the sustainability promotion structure. Important issues are reported from the Sustainability Committee and Risk Management Committee to the Corporate Officers' Meeting and then to the Board of Directors, thereby integrating and managing Group-wide risks.

(3) Strategy

We selected the plastic films field and apparel business (innerwear) as the Gunze Group's main businesses for scenario analysis, and we

identified short- to long-term risks, studied countermeasures, and for these, extracted considerations and opportunities. This time, we conducted analysis in response to the 1.5°C target since this has become the global target. Specifically, we have formulated two scenarios that reference reports issued by governments and international organizations. These include the decarbonization scenarios (1.5°C scenario) such as the 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

Risk items		Risks	Period	Degree of financial impact	Plastic films field	Innerwear field	Responses 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
	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

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 targets

Based on the Basic Policy for Plastic Resource Circulation established in 2019, we are actively promoting the 3Rs + Renewable*³ while also developing new resource recycling technologies and expanding their application to apparel and all other business segments to further enhance our efforts. As a key initiative for the Gunze Group, we are also strongly promoting the Circular Factory Plan, which aims to recycle resources in the plastic films field. In the Plastic Film Company, the Zero Waste Project also completed a system at the core Moriyama Plant to recycle all product types of different shapes, reducing plastic waste by 70% in FY2024. Moving forward, we aim to achieve zero waste plastic early on, promoting the establishment of an internal recycling scheme to our overseas plants. We are also actively developing products that respond to the risks and opportunities gained through scenario analysis. In the plastic films field, GEOPLAS®, which was launched last year, has steadily broadened its market presence. In the apparel field, Asedoron,

designed to withstand extreme heat and mild winters, shipped over two million units overall (as of July 2025), growing into a product supported by customers year-round. Through these initiatives, in the FY2024 CDP*⁴ Questionnaire's climate change field, we were certified with a B score, demonstrating that we are aware of our own environmental risks and impacts and are taking action. The CDP Questionnaire drew responses and information disclosures from 24,800 companies worldwide and more than 2,100 companies in Japan. The B score that we received is the third highest on an 8-point scale.



*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 policy-makers 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.
*³ The 3Rs + Renewable: The 3Rs include Reduce (using fewer resources for production and reducing waste), Reuse (using products and parts repeatedly), and Recycle (effectively using waste as raw materials or energy sources), and this policy adds a fourth R with Renewable.
*⁴ CDP: A non-profit organization that operates a global system to facilitate environmental information disclosures by companies and municipalities in response to requests from global institutional investors concerned about environmental issues such as climate change.

CO2 Reduction and Future Initiatives

(1) Scope 1, 2 results

In FY2024, we exceeded our goal of a 28% or more reduction compared to FY2013 with total emissions of 108,316 t-CO₂ (93.8% compared to the previous year) and a 37.2% reduction compared to FY2013. As a basic policy, we are promoting energy saving and introducing renewable energy on a wider basis. In FY2024, in addition to reductions resulting from the closure of some business sites, we promoted energy-saving activities utilizing Energy Management Systems (EMS), bought back the environmental value of internal FIT solar power facilities in Fukushima, Utsunomiya, and Konan, and introduced solar power facilities at newly established offices and plants (Konan and Ayabe). We will continue to promote policies to improve renewable energy usage, including the expansion of solar power facilities to overseas business sites and the introduction of next-gen solar power facilities.

(2) Scope 3 results

Our FY2024 emissions totaled 393,953 t-CO₂ (up approx. 0.8% from the previous year). Scope 3 includes CO₂ emissions across the supply chain other than Scope 1 and 2, and is impacted by increases or decreases in raw material procurement and sales across all businesses. While there were reductions in raw material procurement and sales in the apparel business for this fiscal year, there were increases in the functional solutions and medical businesses, which were the main factors behind a minor increase in Scope 3 emissions. In V30-2 (FY2025-FY2027), we will further promote the expansion of resource recycling (the 3Rs + Renewable) across the Group and focus on Reduce (minimizing resource use) and Recycle (advanced resource circulation), which both lead to significant reductions. In doing so, we will work to establish a business foundation that minimizes the impact on Scope 3 as our business expands. Going forward, we will monitor the impact of Scope 3 at our overseas business sites.

CO2 emissions (Scope 1, 2, 3)

		FY2024	Compared to FY2023		Compared to FY2013	
		Emission volume (t-CO ₂)	Reduction volume (t-CO ₂)	Reduction rate (%)	Reduction volume (t-CO ₂)	Reduction rate (%)
Achievements	Scope 1 + 2	108,316	7,201	6.2%	64,193	37.2%
	Scope 1	31,051	3,681	10.6%	21,262	40.6%
	Scope 2	77,265	3,520	4.4%	42,931	35.7%
	Scope 3	393,953	-3,097	-0.8%	-	-

* 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.

Stakeholder Engagement

The Gunze Group has embraced its founding spirit, “coexistence and prosperity together with all stakeholders.” True to this philosophy, we place great importance on open communication with our stakeholders. By engaging in dialogue with six key stakeholder groups, we aim to create social and economic value and contribute to the establishment of a sustainable planet and society.

Identifying stakeholders and co-creating value

Stakeholder	Co-created value	Means of engagement	FY2024 results
 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.	<ul style="list-style-type: none">Customer service officeMedical department information session	<ul style="list-style-type: none">Customer satisfaction: 90 points (Based on Customer Satisfaction Survey)
 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.	<ul style="list-style-type: none">Apparel trade exhibitionsCo-hosted seminars (medical)Daily sales activitiesHuman rights due diligence	<ul style="list-style-type: none">In-house assessments (2 domestic factories, 15 subcontractor factories)Supplier assessments (4 key suppliers of Gunze Medical Limited)
 Society	We whole-heartedly participate in social and community activities, build friendly relationships with society, and pursue sustainability with communities.	<ul style="list-style-type: none">Initiatives under comprehensive partnership agreements with Osaka Prefecture, Osaka City, and Kyoto PrefectureParticipation in the Kyoto Model Forest Movement in AyabeDonations via the Gunze Love Earth Club	<ul style="list-style-type: none">Kyoto Model Forest Movement: 4 activitiesComprehensive partnership initiatives: 18 projects
 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.	<ul style="list-style-type: none">One-on-one meetingsTraining/SeminarsMentoringChildcare leave support interviewsGeneral consultation hotline	<ul style="list-style-type: none">Engagement score: 62 pointsChildcare leave utilization rate Women: 87% Men: 78%
 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.	<ul style="list-style-type: none">Dialogue with suppliers to assess Scope 3 emissionsResource circulation initiatives centered on the Circular Factory	<ul style="list-style-type: none">CO₂ emissions reduction: 37%Scope 3: 393,953 t-CO₂Plastic film HCX sales: approx. 40 tons
 Shareholders and investors	We work to enhance corporate credibility through the promotion of sustainability management. We proactively and fairly disclose corporate information and live up to the trust that is placed in us.	<ul style="list-style-type: none">General meetings of shareholdersFinancial results briefingsSmall meetingsIndividual IR meetingsPlant tours for analysts and institutional investorsCorporate briefings for individual investors	<ul style="list-style-type: none">Number of IR participants: approx. 460

Dialogues with Shareholders and Investors



The Gunze Group regards constructive dialogue with shareholders and investors as a key management priority for the achievement of the sustainable increase of corporate value. In addition to quarterly financial results briefings and individual meetings with institutional investors and securities analysts, we engage with shareholders and investors at small meetings and conferences, providing clear explanations of our business environment, performance and manage-

ment strategies. In recent years, we have received an increasing number of questions and comments, not only on financial information but also on non-financial issues, including ESG topics. These range from human capital management and environmental initiatives to respect for human rights throughout the supply chain. We make every effort to explain our views and initiatives thoroughly. Feedback obtained through this dialogue is regularly reported by the IR Department to senior management and is considered during the formulation and review of management strategies during discussions of the Board of Directors and in other forums. To thoroughly ensure that information is fairly and transparently disclosed, we continue to enhance our IR website, improve the quality of financial briefing materials, and expand the multilingual content we provide. Going forward, we will remain committed to sincere, two-way dialogue, increasing the trust with the capital markets while working to increase our corporate value.



1-on-1 meeting with a sell-side analyst



President Saguchi at the FY2024 financial results briefing (hybrid format)

FY2024 results

Category	FY2024 results	Company representatives
For institutional investors and securities analysts	Financial results briefings: Four briefings (hybrid in May and November; online in August and February) Total attendance: 178 companies, 230 participants	<ul style="list-style-type: none">Chairman and Representative Director, Representative Director and PresidentDirector, General Manager of Finance & Accounting DepartmentManaging Corporate Officer, General and General Manager of Management & Strategy Department <ul style="list-style-type: none">Corporate OfficersCorporate Communication Department, Public & Investor Relations
	Total participants in 1-on-1 meetings: 142 companies, 215 participants (57 in-person, 158 online)	<ul style="list-style-type: none">Representative Director and PresidentDirector, General Manager of Finance & Accounting DepartmentManaging Corporate Officer, General and General Manager of Management & Strategy Department <ul style="list-style-type: none">Corporate OfficersCorporate Communication Department, Public & Investor Relations
For individual investors	Online distribution of financial briefing transcripts and Q&A: Twice (May and November)	<ul style="list-style-type: none">Corporate Communication Department, Public & Investor Relations

Key dialogue themes

Theme	Details
Direction of the Medium-term Management Plan	<ul style="list-style-type: none">Growth strategies in core businessesStructural reform of low-ROIC businessesFinancial strategy (shareholder return policies)
Business Environment and Performance	<ul style="list-style-type: none">Sales, profit and performance by segmentMarket environment and competitive landscapeNew product development for sustainable growth
Capital policy	<ul style="list-style-type: none">Cost of capital and ROE targetsShare buybacks and shareholder return policies
ESG-related	<ul style="list-style-type: none">Corporate governance (Board composition, compensation systems)Human resources strategy, encompassing talent development and diversity