A Track Record of Value Creation ····· 14
Proprietary Technologies Built on Gunze's Core Technologies ····· 16
Value Creation Model ····· 17
Gunze's Strengths ····· 18
Linkage between Financial and Non-financial Capital ····· 19
Financial Capital ····· 20
Special Feature: DE&I Roundtable Discussion ····· 24
Human Capital ····· 25
Manufactured Capital ····· 30
Intellectual Capital ····· 32
Social and Relationship Capital ····· 34
Natural Capital ····· 36

Section 2

Gunze's Foundation

How Gunze creates value

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 130 years.

Established in 1896

Driven by his determination to contribute to the development of his hometown community by revitalizing the local silk-reeling industry, 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.

Founder Tsurukichi Hatano

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.

Early knitted innerwear

Plastic films business launched

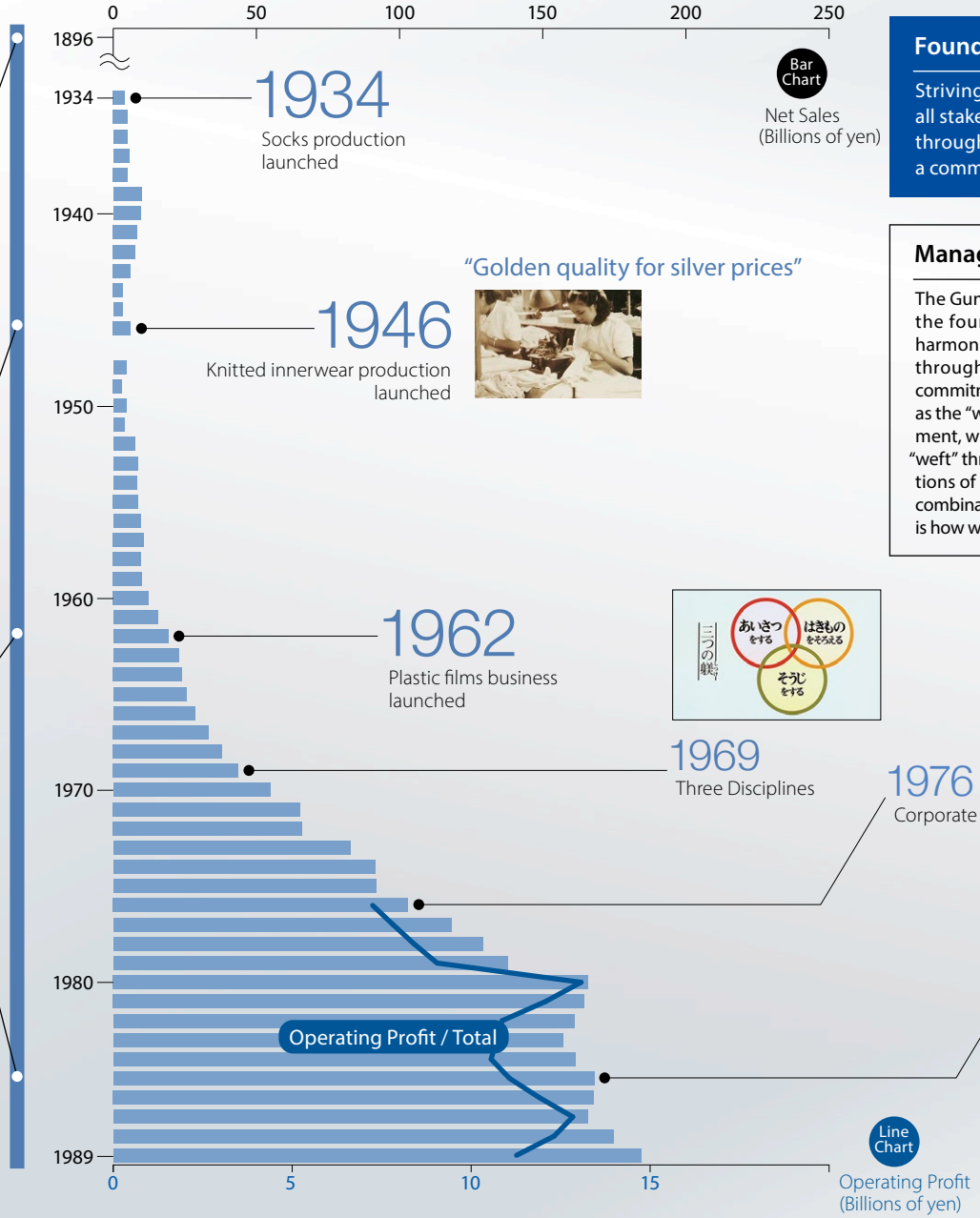
Gunze entered the plastics business as a new initiative to replace its fiber business in response to the rapid growth of the petrochemical industry and the increasing demand for plastic resins.

Shrink film

Acceleration of business diversification

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.

Filter support materials for semiconductor manufacturing

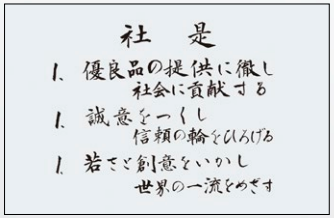


Founding Philosophy

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.



社　是

1. 優良品の提供に徹し
社会に貢献する
1. 誠意をつくし
信頼の輪をひろげる
1. 若さと創意をいかし
世界の一流をめざす

A Track Record of Value Creation

1996

100th anniversary of founding

To commemorate its 100th anniversary, Gunze established Gunze Memorial Square in Ayabe, its birthplace. The Gunze Memorial Hall and Gunze Museum were opened to the public to pass on the Company's founding spirit, history, and manufacturing heritage to future generations and share them with the wider community.

100th anniversary logo

Gunze Museum, opened to commemorate the Company's 100th anniversary

Absorbable adhesion barrier sheets

Expansion of functional solutions business and medical business

To clearly position Medical Business as its growth drivers, Gunze transitioned to a new four-business segment structure: Functional Solutions, Medical, Apparel, and Lifestyle Creations.

Advancing fundamental structural reforms

2025

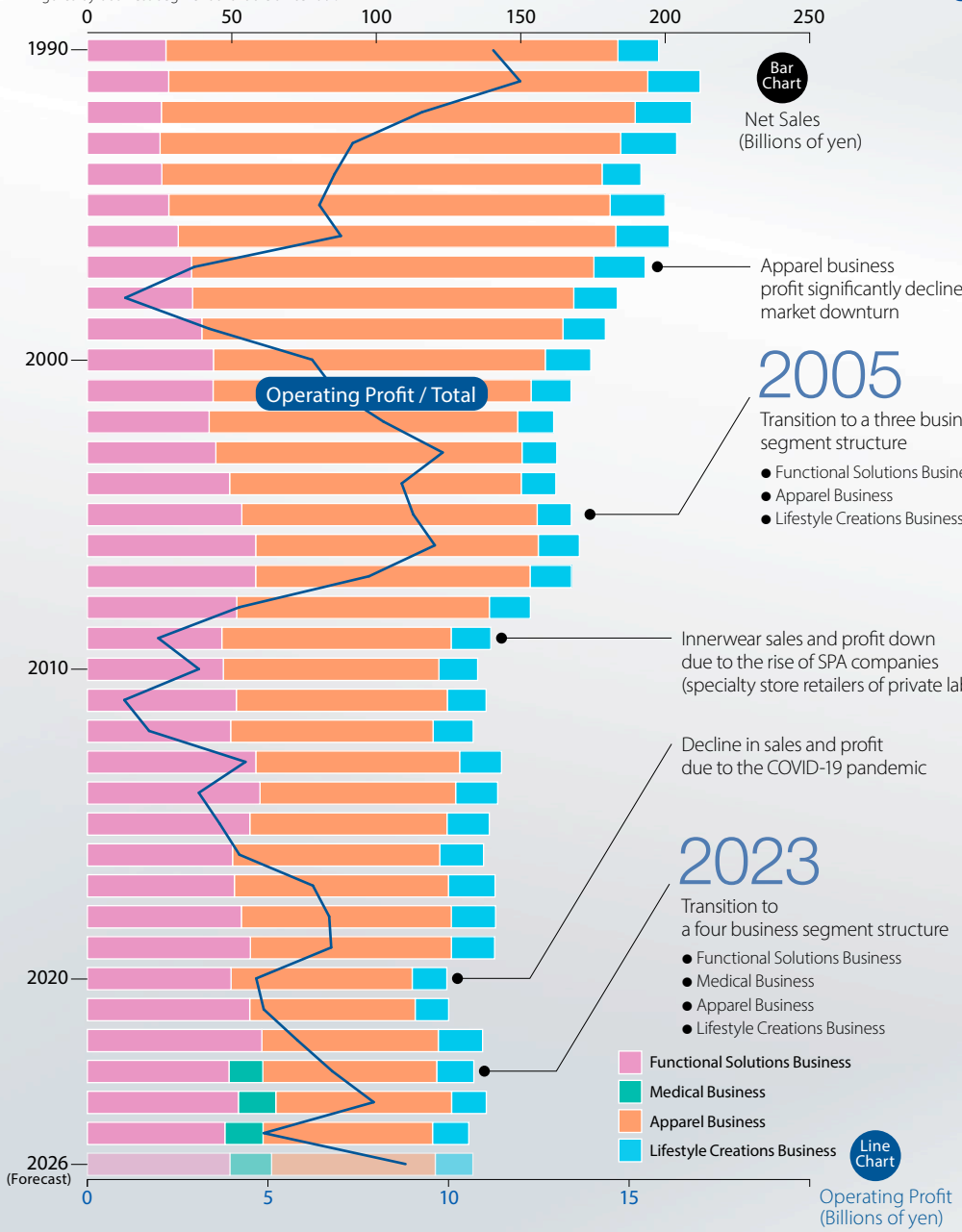
Under VISION 2030, Gunze is pursuing growth strategies based on its grand design of achieving our vision for 2030 through growth in core businesses and compromising structural reforms. To address the underperformance of the Apparel Business, Gunze launched fundamental structural reforms in fiscal 2025 to achieve sustainable growth and strengthen profitability. The Company is consolidating production and logistics and reviewing support functions to build a business foundation resilient to changes in the operating environment. It is also restructuring the Apparel Business into one capable of sustainably generating profits, with the aim of completing these reforms in fiscal 2026.

130th anniversary logo

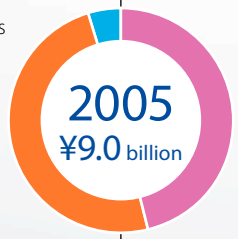
130th anniversary of founding

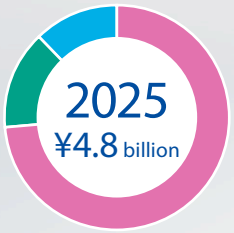
2026

*Figures by business segment available since 1990



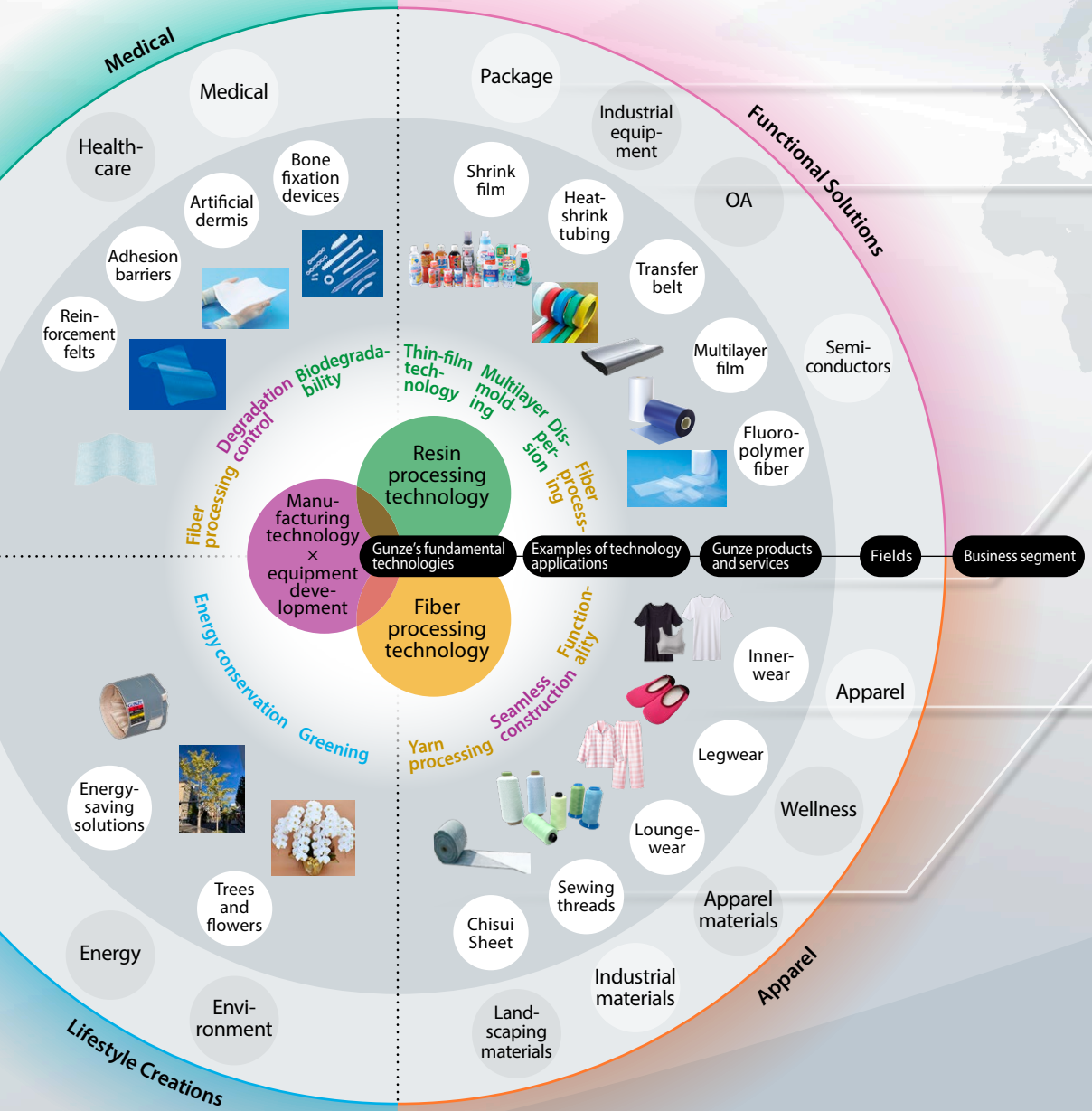
Changes in operating profit by business segment





The fiscal 2025 operating income composition excludes the Apparel Business, which recorded an operating loss.

Proprietary Technologies Built on Gunze's Core Technologies



Providing function-focused products that deliver comfort

Customized products that meet society's needs

Contributing to a resource-circulating society

Improving QOL for patients and healthcare professionals

Seeing More Clearly and Reaching the World. Creating New Comfort for People Around the World through Our Cultivated Technologies.

Gunze has established three proprietary fundamental technologies—fiber processing technology, resin processing technology, and manufacturing technology combined with equipment development. By integrating these technologies, the Company has created high-value-added products and services across a broad range of fields, from apparel to medical devices and plastic products.

Looking ahead, Gunze will leverage its proprietary core technologies to address social issues, while identifying niche markets and developing new market opportunities. Through further innovation in manufacturing technology, the Company will deepen its expertise to the highest level, develop products that genuinely meet society's needs, and pursue sustainable and competitive manufacturing.

Value Creation Model

The Future We Want

Delivering "New Comfort" to People Worldwide through Our Unique Technologies

OUTCOME

Social Value

- Providing comfort through products and services
- Manufacturing that considers both people and the planet
- Developing and securing human resources to accelerate global expansion
- Creating ways of working that embrace diversity

Environmental Value

- Realizing a resource-recycling society
- Establishing a model that balances reduced environmental impact with business growth

Economic Value

- Providing stable and consistent shareholder returns
- Enhancing corporate value across the Gunze Group
- Expanding growth investments by improving capital efficiency and profitability

OUTPUT

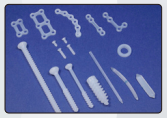
Net Sales
¥130.9 billion

Operating Profit
¥4.8 billion

(Fiscal year ended March 31, 2026)

Functional Solutions Business P.50

Medical Business P.53

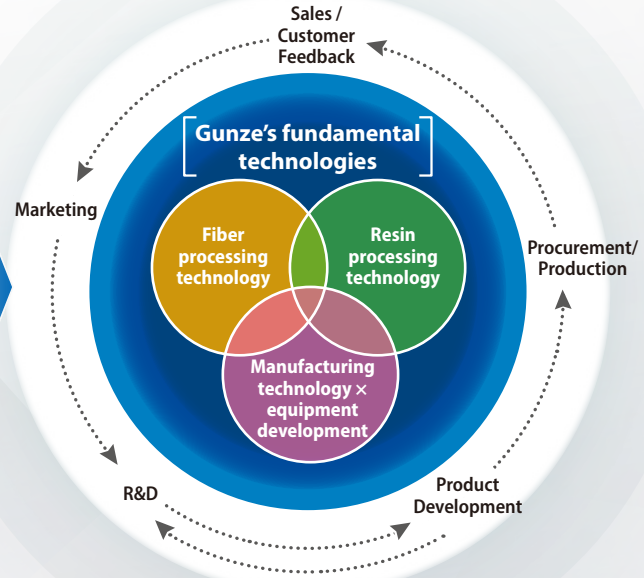


Apparel Business P.55

Lifestyle Creations Business P.57

BUSINESS MODEL

A Value Chain that Leverages Technological Capabilities



INPUT

Financial Capital
Stable financial standing

Human Capital
People-oriented approach

Manufactured Capital
Pursuit of the highest quality as a technology-oriented company

Intellectual Capital
Broad range of intellectual properties and technologies, from textiles to polymers

Social and Relationship Capital
Sustainable procurement based on harmonious coexistence and coprosperity

Natural Capital
Environmentally friendly products / services

P.06 (At a Glance)

Gunze's Strengths P.18

Gunze's DNA
Founding Philosophy
P.14

VISION 2030

Materiality P.42	Corporate Governance P.62

Value Co-creation with Multiple Stakeholders

P.59

Shareholders and investors
Environment
Employees
Society
Business partners
Customers

Gunze's strengths

Gunze leverages six forms of capital to contribute to the realization of a sustainable society.

Financial Capital

Strengths

- Maintain financial soundness
- Stable and continuous dividends
- GVA management by business segment

Generated OUTCOME

- Return of profits to shareholders (dividend per share) ¥216 (¥6.8 billion in total)
- Total shareholder return (TSR) 208.5% FY2020 set at 100%
- ROE 0.4% (Impact of structural reform costs in the Apparel Business and other factors)

Manu-factured Capital

Strengths

- 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

Generated OUTCOME

- Number of global manufacturing and processing sites 15 sites
- Establishment of a resource circulation model
- Achieved zero waste at the Moriyama Plant in fiscal 2025 (Waste generated during the manufacturing process)

Human Capital

Strengths

- Human resources that embody the founding philosophy and produce superior products
- Professionals who leverage their advanced expertise to support business growth
- Sales capabilities centered around solving problems from the customer's perspective

Generated OUTCOME

- Training investment per employee ¥55,620
- Qualification holders 1,167 Total number of employees holding qualifications encouraged by Gunze
- Years of service 19.1 years

Social and Relationship Capital

Strengths

- 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

Generated OUTCOME

- Brand awareness approx. 70% (Nikkei Brand Japan 2026 Survey)
- Customer satisfaction score 4.6/5.0
- Visitors to the Circular Factory™ 116 groups, 662 visitors (FY2025)

Intelle-ctual Capital

Strengths

- 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
- Intellectual property management supporting business growth

Generated OUTCOME

- Number of published patents 69
- Number of patents acquired 850
- Number of registered trademarks 2,693

Natural Capital

Strengths

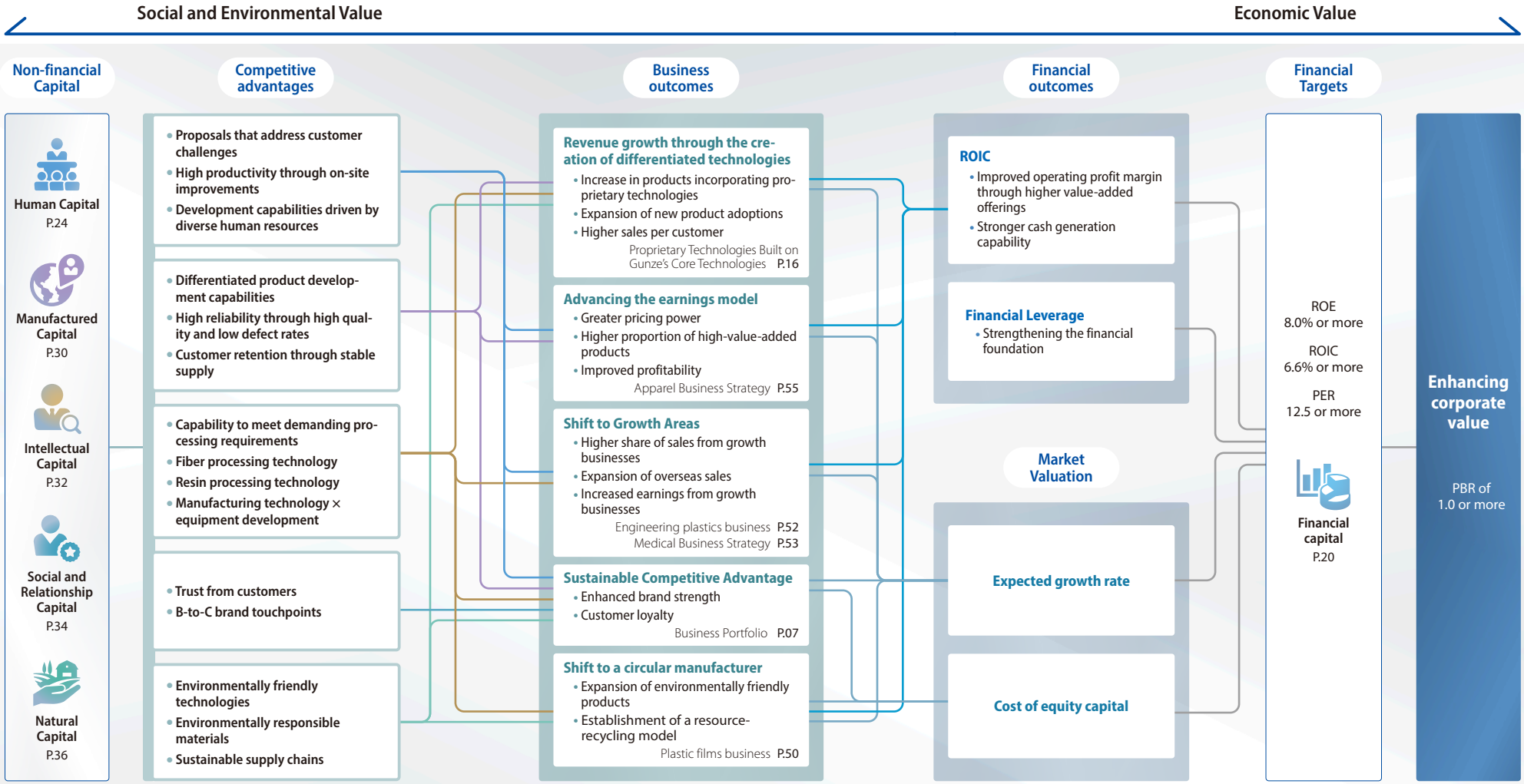
- Environmentally friendly product development capabilities for a recycling society
- Reducing negative environmental impact through Circular Factory™ and other initiatives
- Initiatives to a resource-circulating society

Generated OUTCOME

- CO_2 emissions Scope1+Scope2* 98,910 t-CO_2 (42.7% reduction from the FY2013 baseline)
  * Gunze Group total (Domestic + Overseas)
- Total waste generated 6,540 t (down 11% year on year)
- Recycled hybrid shrink films (environmentally friendly products) 5 products

Linkage between Financial and Non-Financial Capital

The Gunze Group sets out its initiatives for sustainably enhancing corporate value from the perspective of five forms of non-financial capital.
This page illustrates the process through which each form of capital creates competitive advantages and ultimately contributes to achieving financial targets through business outcomes, market valuation, and financial outcomes.
By showing the linkage between financial and non-financial capital in an integrated manner, we present Gunze's approach to enhancing corporate value over the medium to long term.

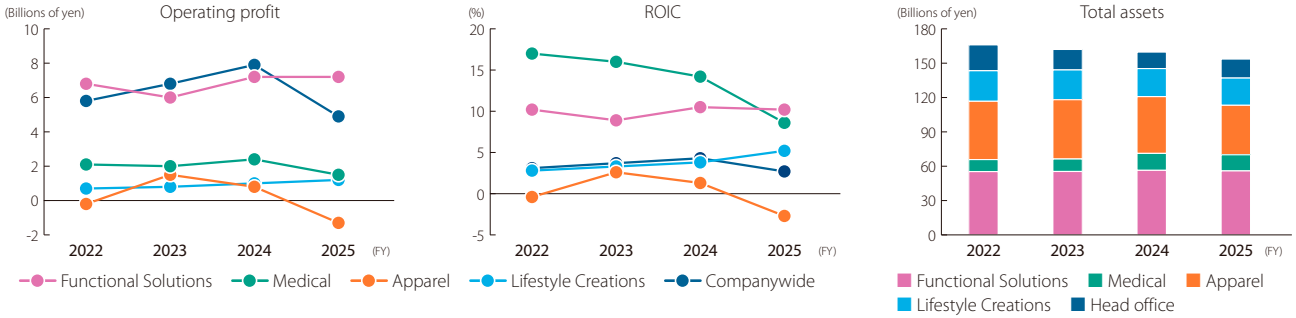


Financial Capital

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

Hirokazu Sawada
Director, Managing Corporate Officer and General Manager of Finance & Accounting Department

Changes in Operating Profit, ROIC, and Total Assets



FY2025 Performance Review

In FY2025, consolidated net sales were ¥130.9 billion, down 4.5% year on year; operating profit was ¥4.8 billion, down ¥3.0 billion; ordinary profit was ¥4.9 billion, down ¥3.2 billion; and net profit was ¥0.5 billion, down ¥5.7 billion, reflecting the recording of ¥3.3 billion in extraordinary losses related to structural reforms in the apparel business. The performance was grim, with both sales and profits declining.

By segment, the functional solutions business secured a slight year-on-year increase in operating profit of ¥7.2 billion. Although profit in the engineering plastics field declined due to the prolonged inventory adjustment phase in the semiconductor market, this was offset by higher profit from expanded sales in the domestic market in the plastic films field and the positive impact of the wind-down of the electronic components business in the previous fiscal year.

Moreover, the decrease in operating profit in the medical business year on year was limited to ¥1.4 billion, and due to sluggish sales in China and higher fixed costs associated with capital expenditures and other investments for business expansion.

The apparel business, currently undergoing structural reforms, posted an operating loss of ¥1.3 billion, reflecting the recording of ¥1.9 billion in inventory valuation losses.

Operating profit in the lifestyle creations business performed solidly with a year-on-year increase of ¥1.2 billion, supported by increased visitor traffic at shopping centers and a recovery in sales at existing sports clubs following structural reforms.

FY2026 Forecasts

Amid an uncertain operating environment in FY2026, including the impact of the situation in the Middle East, Gunze has set a target of ¥132.0 billion in net sales, or a 0.8% year-on-year increase. Although sales in the apparel business are expected to decline under the strategy to focus on specific areas, the Company anticipates expanded sales in the functional solutions and medical businesses. Operating profit is forecast at ¥8.8 billion, up ¥3.9 billion year on year, and net profit at ¥5.2 billion, up ¥4.6 billion, reflecting, among other factors, the absence of restructuring-related losses in the apparel business recorded in the previous fiscal year.

In the functional solutions business, net sales are forecast to increase 3.7% year on year, reflecting improved profitability in overseas plastic film operations and a recovery in semiconductor-related products in the engineering plastics field. Operating profit is expected to increase ¥1.0 billion year on year.

In the medical business, net sales are forecast to increase 9.1% year on year and operating profit to increase ¥0.3 billion, reflecting expanded sales of adhesion barriers and other products and an anticipated recovery in the Chinese market in the second half.

In the apparel business, net sales are forecast to decrease 3.4% year on year, and we are aiming for an increase in operating profit of ¥2.6 billion, based on the steady progress of structural reforms.

In the lifestyle creations business, net sales are forecast to achieve an increase of 3.8% year on year and operating profit an increase of slightly less than ¥0.1 billion, mainly due to improved profitability in the sports club field.

GVA / ROIC

Gunze Value Added (GVA; net operating profit after tax + dividend income – invested capital × WACC) in FY2025 was negative ¥4.0 billion, a deterioration of ¥3.1 billion year on year and ¥2.3 billion below the target. ROIC in FY2025 was 2.7%, down 1.6 percentage points year on year.

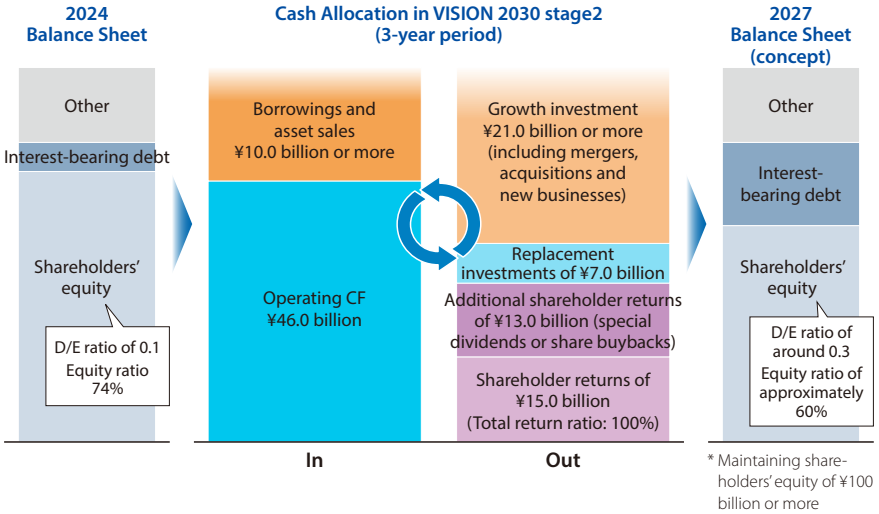
By segment, ROIC in the functional solutions business remained in the 10% range, despite a ¥1.4 billion increase in invested capital due to investments including plant expansion in the engineering plastics field.

ROIC in the medical business declined to 8.6%. Although the increase in invested capital was contained, the impact of the aforementioned decline in operating profit was significant.

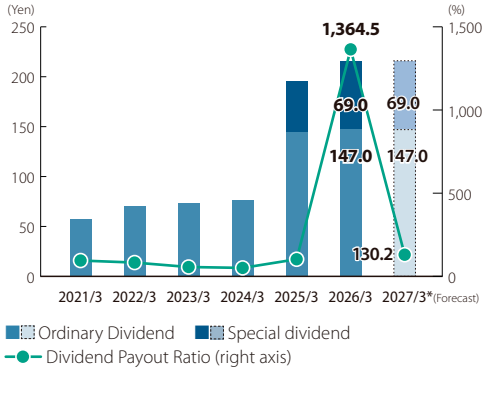
ROIC in the apparel business temporarily turned negative due to the aforementioned inventory valuation losses, but is forecast to recover

Financial Capital

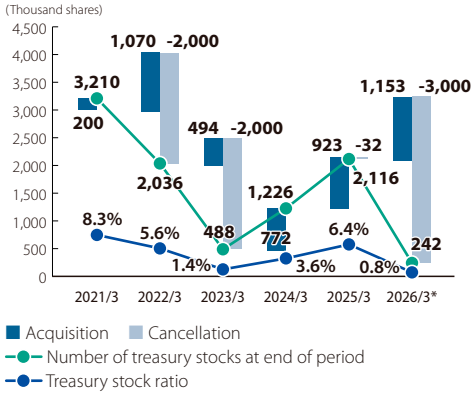
Cash Allocation in V30-2 to Establish an Optimal Capital Structure



Dividend per Share, Dividend Payout Ratio



Treasury Stock



* The figures, including those for prior fiscal years, are presented on a post-stock-split basis. (The Company conducted a two-for-one stock split of its common stock on April 1, 2025.)

to the 2% range in FY2026. ROIC in the lifestyle creations business rose to 5.2%, supported by higher operating profit in the real estate-related and sports club fields.

Recognition of Capital Cost

We recognize that enhancing corporate value requires accurately assessing the Company's cost of capital and generating returns on capital that exceed it.
Under the previous Medium-term Management Plan (V30-1), based on internal estimates, the Company set its cost of equity capital at 6.32% and WACC at 5.15%. However, through continued dialogue with investors, we recognized that these levels were lower than those perceived by investors. Therefore, in estimating the cost of equity capital for VISION 2030 stage2 (V30-2), we made adjustments to incorporate the risk of future interest rate increases and add a risk premium for low stock liquidity, while also taking into account the levels perceived by investors. As a result, we set the cost of equity capital for V30-2 at 7.2%–7.8%.

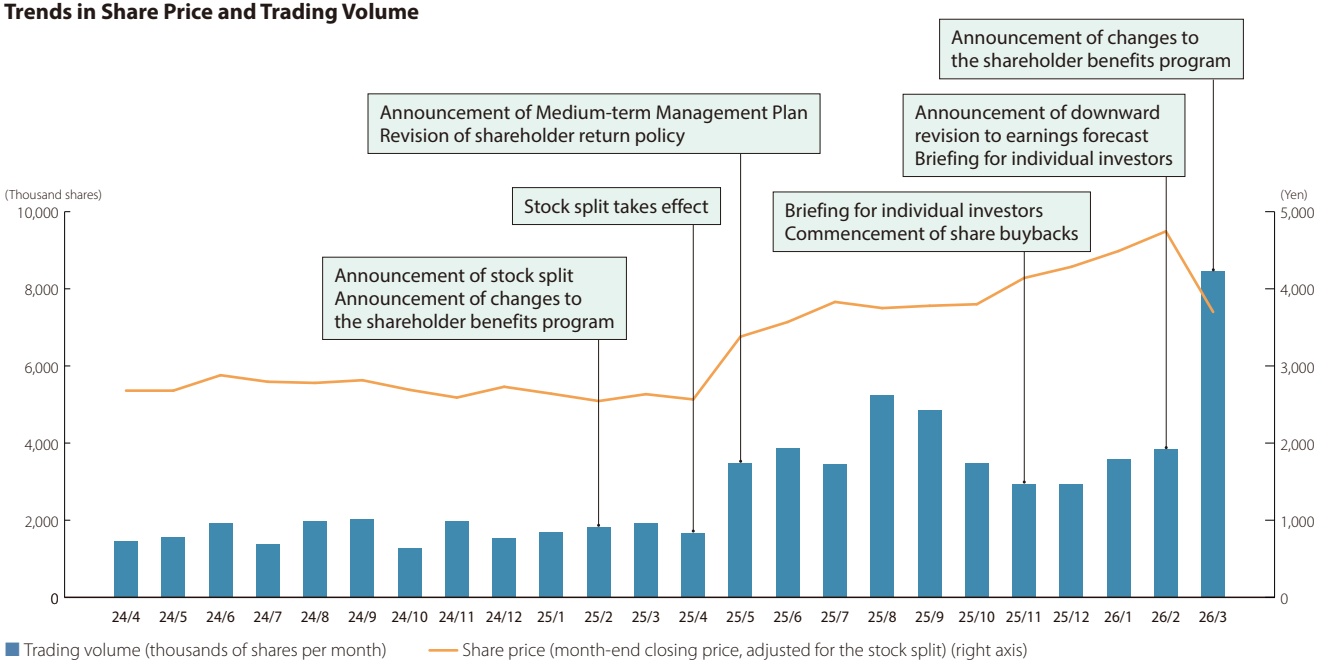
Capital Policy and Cash Allocation

The ROE initially projected under V30-2 was expected to fall below the cost of equity capital under the existing capital structure, while ROIC was also expected to fall below WACC. We recognize that the most desirable course is to allocate cash to growth investments and rapidly generate a substantial increase in profit. However, given the characteristics of each of the businesses and the conditions at the time, we concluded that achieving such a significant increase in profit over a short period would not be realistic.
Accordingly, we determined that the capital structure needed to be reorganized to suit the Gunze Group's level of earnings and decided to implement shareholder returns with a total return ratio exceeding 100%. Based on the D/E ratio at the end of FY2025, WACC is estimated at approximately 7%, but is expected to decline to approximately 6.0%–6.5% by the end of FY2027. In reorganizing the capital structure, we will proceed with the financial discipline of maintaining shareholders' equity of ¥100 billion or more and an equity ratio of approximately 60%, while seeking to maintain our current external credit rating of A from Japan Credit Rating Agency, Ltd. (JCR).

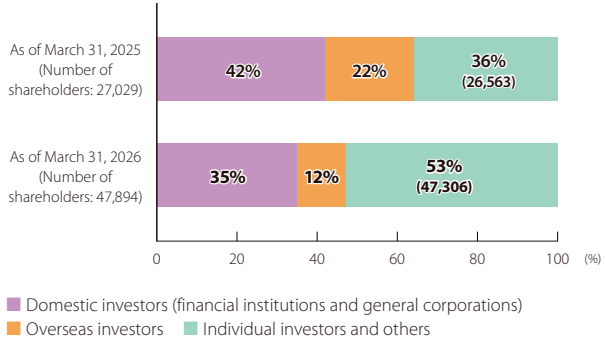
Based on the V30-2 cash allocation plan incorporating this capital policy, in FY2025, of the approximately ¥17.2 billion generated through operating cash flow, we allocated approximately ¥6.3 billion to shareholder returns under a total return ratio of 100%, comprising dividends equivalent to a DOE of 4% and share buybacks, and approximately ¥5.0 billion to shareholder returns aimed at realigning the capital structure. In addition to the remaining operating cash flow, we used approximately ¥5.0 billion in long-term funds raised externally for capital expenditures, including expanding production capacity and constructing new plants in the medical business and engineering plastics field. Cash allocation progressed broadly in line with the V30-2 plan.
Although the FY2030 ROE target is 10% or more, government bond yields, which are generally used as the risk-free rate in calculating the cost of equity capital, have risen faster than anticipated. To generate further profit, we will therefore consider increasing the amount of cash allocated to growth investments.

Financial Capital

Trends in Share Price and Trading Volume



Composition of Shareholders (Shareholding Ratios Excluding Treasury Stock)



FY2025 Initiatives to Improve PER

In V30-2, alongside initiatives to improve return on capital, we are pursuing a policy to improve PER centered on increasing stock liquidity. This was prompted by feedback from several institutional investors that the Company's shares were difficult to trade due to low liquidity. We therefore positioned improving stock liquidity as one of the key priorities under V30-2 and decided to first stimulate trading by individual investors.

Because Gunze's existing shareholders had generally held their shares for extremely long periods and tended to be older, we implemented a stock split and revised the shareholder benefits program and shareholder return policy to attract new shareholders. Since May 2025, the Company has attracted attention as a high-dividend stock, leading to a rise in the stock price and improved stock liquidity. However, excessive reliance on dividends and shareholder benefits could increase stock price volatility and raise beta, a component used in the theoretical calculation of the cost of equity capital. In addition, because Gunze handles consumer products such as innerwear, we believe it is important to cultivate loyal shareholders who are fans of both the Company and its products and will hold their shares over the long term.

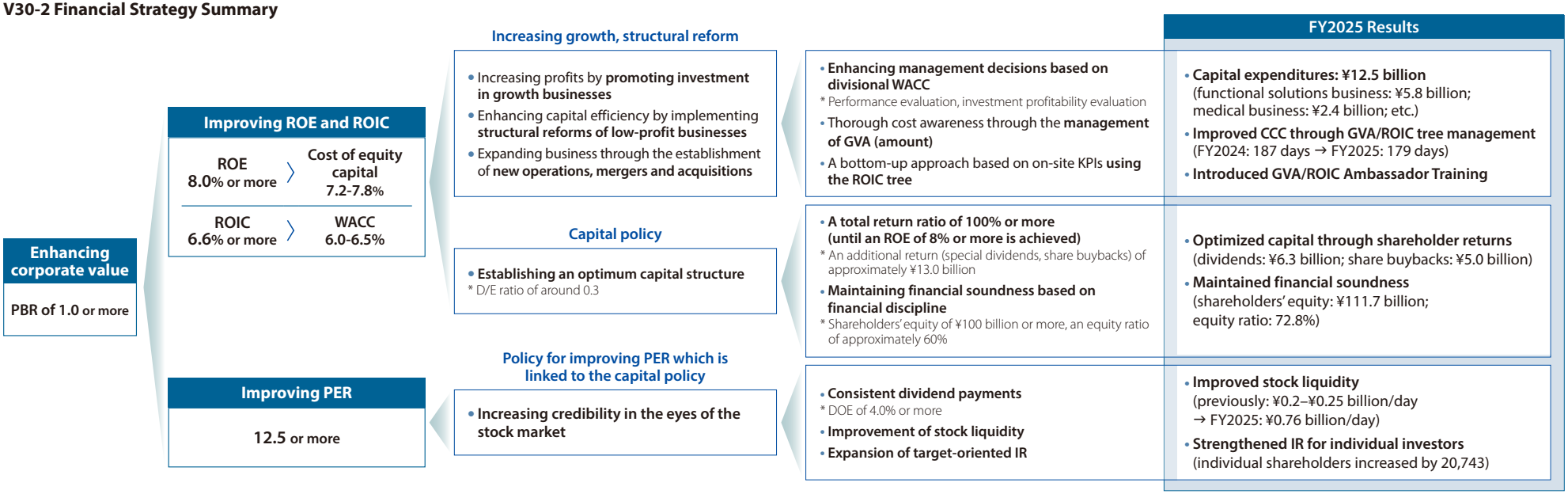
Accordingly, in November 2025 and February 2026, we held online briefings for individual investors for the first time. The briefings attracted more than 4,000 viewers in total, and many of the individual investors who attended became Gunze's shareholders.

As a result of these initiatives, stock liquidity more than doubled from its previous level, the number of individual shareholders increased by more than 20,000 from the end of the previous fiscal year, and their shareholding ratio exceeded 50%. In a survey conducted from November 2025 to January 2026 among shareholders eligible for the shareholder benefits program, 14,000 of the 18,000 respondents (78%) said that their intended approach to holding Gunze's shares was "long-term holding (five years or more)."

While we achieved a certain degree of progress in improving stock liquidity, a new issue emerged: a decline in the shareholding ratio of overseas investors. We believe this decline reflects the fact that we have not sufficiently communicated our future growth potential. We recognize that an imbalanced shareholder composition could increase stock price volatility. In FY2026, we therefore plan to focus on creating opportunities for dialogue with overseas institutional investors.

Financial Capital

V30-2 Financial Strategy Summary



* Gunze Value Added (GVA) = net operating profit after tax + Received dividend – invested capital × WACC

Toward Further Enhancement of Corporate Value

In FY2025, the Company's stock price rose and its PBR remained above 1. However, we believe this was driven more by the high dividend, including additional shareholder returns, than by operating performance or expectations for future growth. In particular, the medical business, which we position as a growth driver, continued to face challenges. We will therefore work to restore it to a growth trajectory at an early stage by expanding sales outside China and shifting toward a business portfolio centered on proprietary products. Our cash allocation policy remains unchanged: we will continue to prioritize investment in the medical and functional solutions businesses.

We recognize that a PBR of 1 is merely the minimum level expected of a listed company, and that surviving in the TSE Prime Market will require us to further enhance corporate value from this point forward. To enhance corporate value, we also believe it is necessary to raise employees' awareness of stock price and capital cost.

To this end, we introduced FP&A (Financial Planning & Analysis) and finance-focused training (GVA/ROIC Ambassador Training) for younger finance and accounting personnel. For finance training, we also use external management schools and expect participants to grow through the stimulation and learning gained from interaction outside the Company. In addition, when soliciting new enrollment and increased contributions to the Gunze Group Employee Stock Ownership Plan as part of a campaign commemorating our 130th anniversary, we produced and distributed videos and internal newsletters containing information on stock price and stock investment to strengthen employees' sense of participation in management. Approximately 1,000 employees applied for new enrollment or increased contributions. As a result, the participation rate in the employee stock ownership plan across the Gunze Group rose 4 percentage points from before the campaign to 45%.

The effects of GVA/ROIC tree management, introduced when V30-2 was formulated, are also beginning to emerge. Specifically, by incorporating progress reports against return-on-capital targets using the GVA/ROIC tree into regular meetings, discussions with a greater focus on GVA/ROIC have increased. A distinctive feature of our approach is that we use not only a percentage-based metric but also GVA as an amount-based metric, enabling discussions that take into account the magnitude of the impact on management.

As GVA/ROIC tree management has become more deeply embedded in the business divisions, the cash conversion cycle (CCC), which had continued to deteriorate since the COVID-19 pandemic, has been improving since FY2024. In FY2025, CCC was shortened by eight days year on year to 179 days, with improvements in the apparel business, where structural reforms are underway, making a particularly significant contribution.

To further enhance corporate value, we will continue working to improve the Company's corporate fundamentals, including by changing employees' mindsets.

Accelerating DE&I

D Diversity
E Equity
I Inclusion

To make DE&I tangible in the workplace and translate it into action, Gunze held roundtable discussions for managers and employees at five locations: Moriyama, Konan, Ayabe, Osaka, and Tokyo.
At each location, five managers and five employees, for a total of 50 participants, joined Representative Director Oka to discuss their real experiences and challenges related to each theme.
The discussions were then shared with all employees via the Company intranet.
Gunze is driving practical change by, for example, proposing "Three Actions You Can Take Starting Today."

Managers' Roundtable Discussion

Managers who lead teams on the front lines engaged in in-depth discussions on such topics as promoting the advancement of women, drawing out team members' views, and what equitable management free from unconscious bias should look like. By sharing actual cases and responses, these discussions are helping to change mindsets and improve the quality of communication.

Employees' Roundtable Discussion

Participants engaged in lively exchanges of views on topics such as what inclusion and equity should look like within teams. The discussion of unconscious bias went beyond gender-based role stereotypes to include preconceptions about what an ideal manager should be, providing an opportunity for individuals to reconsider their own assumptions and mindsets.

Company Intranet

The discussions and views from the 10 roundtable sessions are organized by theme and presented with clear explanations to promote wider understanding of the initiative. Through the comments section, Gunze is also fostering two-way communication while deepening all employees' understanding of DE&I.

Message

We naturally care about how we are evaluated, dress to suit the occasion, and give precedence to people of higher rank or seniority in meetings. Doing so gives us a sense of reassurance. These are perfectly natural behaviors. Yet if we become too comfortable with this sense of reassurance, it can sometimes make us hesitant to take on challenges. In a rapidly changing global environment, this can lead to stagnation and may even carry the risk of eroding competitiveness.
Promoting DE&I and taking a step beyond the usual requires considerable courage and effort. Yet diverse experiences and perspectives are precisely what will drive a brighter future for Gunze.
I want each of us to make the most of who we are, support one another, and take on new possibilities.

Diverse experiences and perspectives are the driving force behind a brighter future for Gunze!

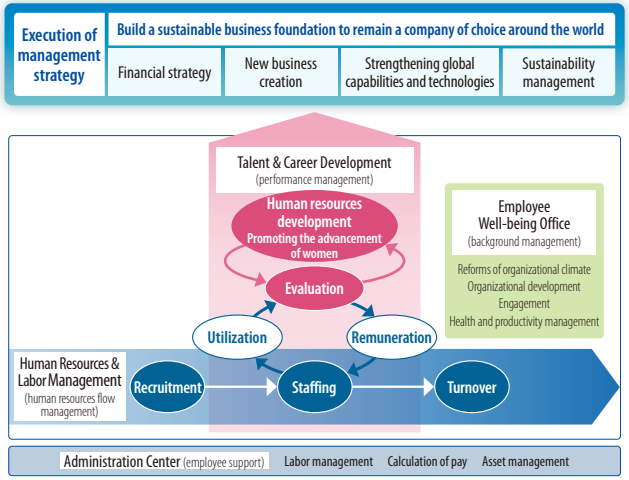
Takahiro Oka
Representative Director, President and President Corporate Officer

Human Capital

Human Capital Strategy to Sustainably Enhance Corporate Value and Competitiveness

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

Building on our DE&I initiatives centered on promoting the advancement of women, the new personnel system is designed to enable each employee to leverage their individual strengths, advance the evolution of our organization, and achieve sustainable growth. At the heart of corporate management are people. Grounded in Respect for People, one of our founding principles, we must continue to foster a corporate culture that empowers, develops, and values people.
We want employees themselves to bring the new personnel system to life and, through doing so, achieve higher employee engagement.



Reforming the Personnel System to Develop Talent Capable of Executing Management Strategies

Gunze's human capital strategy aims to develop talent and foster an organizational culture capable of executing management strategies that lead to the sustainable enhancement of corporate value and competitiveness. To become a company where all employees can find fulfillment in their work and continue to thrive over the long term, we carried out our first major personnel system reform in 25 years.
Gunze last undertook a major revision of its personnel system in 2001, including the introduction of a new career-track system, and since then had made only partial revisions. Looking ahead, as population decline and the competitive environment become increasingly challenging, we recognized that to remain a company of choice for all stakeholders, we needed to move away from a traditional seniority-based system toward a merit-based system that fairly evaluates and rewards individual contributions.
At the same time, we introduced mechanisms that allow employees to choose from diverse work styles suited to their life stages and individual preferences in order to achieve work-life balance.

Develop talent and an organizational culture capable of executing management strategies that lead to sustainable enhancement of corporate value and competitiveness

Key issues	Key initiatives	Desired state	
Intensifying competition for talent Imbalanced age demographics / reskilling Strengthening talent development Reviewing the evaluation system Improving engagement Ensuring psychological safety	**Personnel system reform** ➡ **Introduce a job-based system for managers** • Right people in the right positions • Evaluation criteria based on strategy execution • Compensation based on duties and roles • Capability development / career design • Visualization of talent information • Expand employee-requested transfers / internal job postings • Review the transfer system • New graduate to mid-career hiring ratio: 50:50	**Recruitment, development, and deployment of strategic talent** • Self-directed talent willing to take on challenges • Autonomous career development • Development of leadership talent • Maximizing individual capabilities	**Ratio of women in management positions** FY2027: 14% ➡ **FY2030: 20%** **Ratio of female employees** FY2027: 38% ➡ **FY2030: 41%** **Ratio of women among new hires** FY2027: 50% ➡ **FY2030: 50%**
	Employee Well-being Office ➡ **Drive organizational culture reform** • Promote health and productivity management • Mental health measures • Prevent harassment • Prevent occupational accidents • Implement improvement measures based on survey analysis • Improve management skills	**Improve engagement** • Organizational culture that delivers results • Safe and secure work environment • Ability to fully demonstrate capabilities through sound physical and mental health	**Male childcare leave uptake rate** FY2027: 70% ➡ **FY2030: 100%** **Engagement score** FY2027: 66 points ➡ **FY2030: 70 points**
Promote DE&I Promote the advancement of women	**Establish dedicated responsibility for promoting the advancement of women ➡ Enhance effectiveness** • Front-load job experience and development in anticipation of life events • Support balancing work with childcare and nursing care • Maintain a 50% ratio of women among new graduate hires	**Ensure a certain proportion of decision-makers are women** • Create innovation	**Paid leave utilization rate** FY2027: 80% ➡ **FY2030: 80%**

Sustainable enhancement of corporate value and competitiveness

Personnel System Reform (FY2026 Onward)

Overview of the personnel system

The previous personnel and compensation system placed greater emphasis on compensation. Under the new system, we manage our human resources from two perspectives, performance management and human resources flow management, linking staffing, utilization, evaluation, human resource development, and compensation to execute our management strategy.

We have defined our desired talent profile as "people who embrace diversity and autonomously take on challenges without fear of change." With the aim of becoming a company where employees can continue to thrive over the long term, we have established three management principles to achieve this goal.

Fairness: Evaluate employees based on merit rather than seniority.

Reasonableness: Achieve the optimal balance between individual careers and organizational management.

Transparency: Make evaluation criteria transparent.

Based on these principles, we are advancing a range of HR initiatives under four key messages: Maximizing Results and Ensuring Fair Compensation, Promoting Diversity and Expertise, Creating Mechanisms That Encourage Challenges, and Strategic Human Resource Development. (See table below.)

Main changes

Grading system

The previous system consisted of three career tracks based on job type and whether employees were subject to relocation, all of which used a work skills qualification system. Under the new system, these have been reorganized into four job categories based on job characteristics, with a separate grading system established for each category. Managers have also transitioned to a job-based system. In addition, we introduced a relocation preference flag that allows employees to make choices suited to their life stage and other individual circumstances.

Performance management and evaluation systems

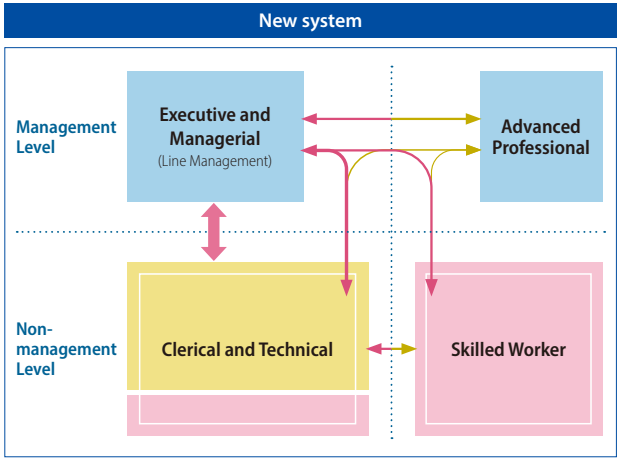
Challenging goals are introduced into individual work objectives to encourage employees to take on challenges. Through this approach, we aim to foster an organizational culture that generates innovation, including the creation of new businesses and process reforms. Making individual goals transparent across the Company also enables employees to compare the level of goals being set and promotes collaboration across organizational boundaries.

Compensation

We are replacing the previous salary system, which was strongly seniority-based and cumulative in nature, with one that more closely reflects individual contributions and results in compensation. We will also strengthen differentiation in compensation based on the level of contribution.

Key messages	Current key issues	Direction of reform	Personnel system
Maximizing results and ensuring fair compensation	A seniority-based system has created mismatches between employees' contributions to the Company and how they are rewarded.	Merit-based Clarifying contributions	• Introduce a job-based personnel system for managers • Strengthen differentiation in bonuses based on individual contributions
Promoting diversity and expertise	Job duties and roles required under each career track are unclear, limiting the ability to respond adequately to changes in the business environment.	Career autonomy Freedom of choice	• Reorganize into four job categories based on job characteristics • Establish a new advanced professional category • Introduce a relocation preference flag system
Creating mechanisms that encourage challenges	Employees find it difficult to see the benefits of taking on challenges and tend to favor maintaining the status quo.	Psychological safety Support for growth	• Introduce challenging goals • Make individual goals transparent across the Company
Strategic human resource development	Training has primarily been based on organizational level.	Early development Reskilling	• Establish a development framework that balances accelerated growth with opportunities to take on new challenges again • Introduce job rotation for managers

Job categories and grades under the new personnel system



Executive and Managerial: Job-based grading system

A job category in which employees are expected to lead their organizations as business managers, driving organizational development and value enhancement (job-based system)

➡**Applies to line managers**

Advanced Professional: Job-based grading system

A job category in which employees are expected to make significant contributions to business performance and the organization through advanced expertise

➡**Appointments are made individually based on recommendations from each division**

Clerical and Technical: Role-based grading system

A job category in which employees are expected to create added value by responding to evolving technology trends

➡**R&D / Production engineering / Sales / Staff functions**

Skilled Worker: Work skills qualification system

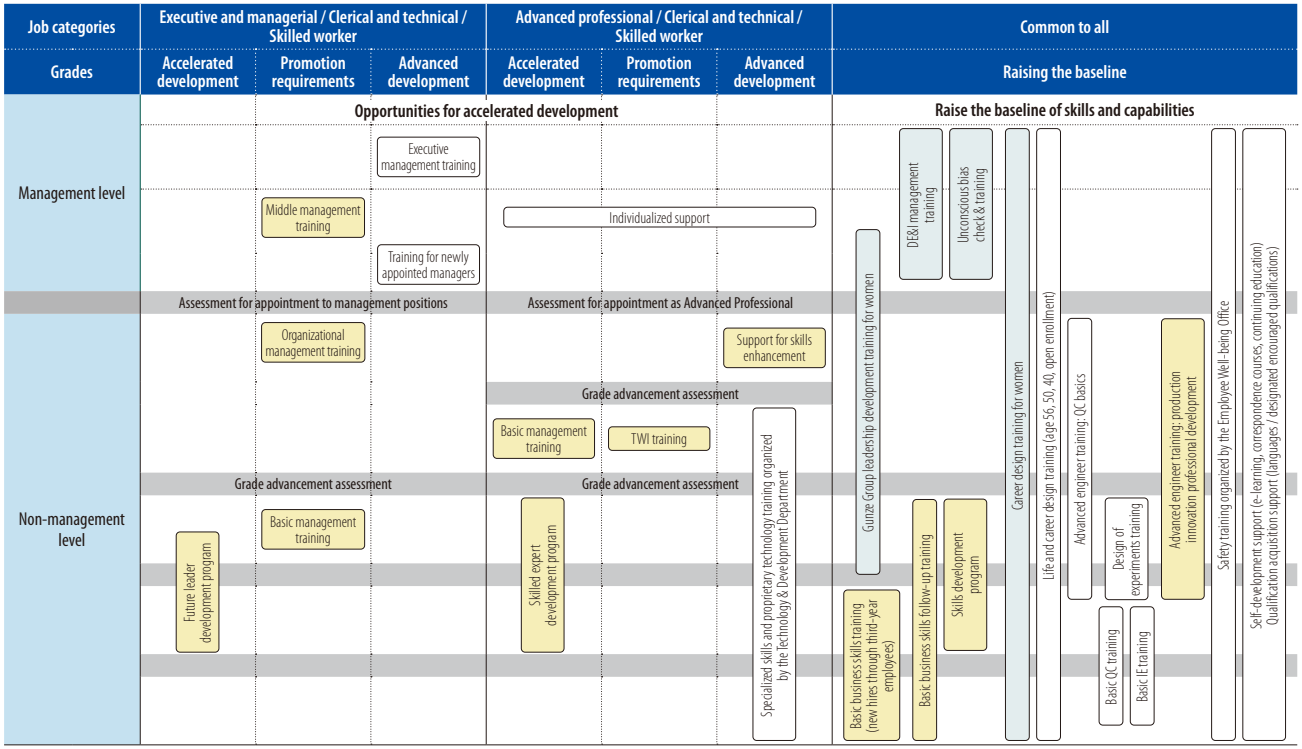
A job category in which employees are expected to deliver results by leveraging accumulated experience and skills

➡**Manufacturing / Logistics line operators**

Reforming the Training and Development System

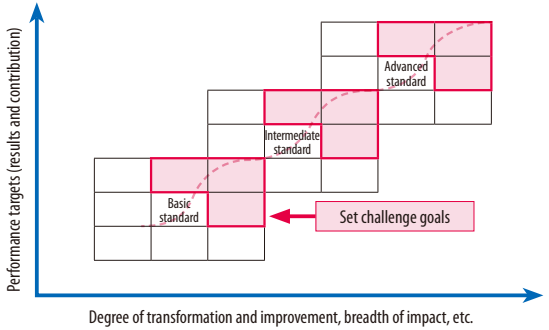
Under the new personnel system, we place particular emphasis on managing human resource development and personnel evaluation in an integrated manner, with employee development as a central focus of HR management. As a new concept for human resource development, we have moved away from the previous uniform development framework and established a system that balances accelerated development with opportunities to take on new challenges in line with the career aspirations of each employee. Specifically, we are building a company-wide training framework (shown below) designed to achieve two objectives: (1) "Develop at an early stage the talent capable of executing Gunze's management strategy and supporting the Company's further growth (Early development of management talent)" and (2) "Raise skills and capabilities across the organization to drive innovation (Accelerated development of younger employees)." We are also enhancing support to enable employees to acquire the knowledge and skills they need in advance to progress to higher grades or be appointed to management positions.

When an employee's ability to deliver results needs improvement, we implement a PIP (Performance Improvement Plan, a specific action plan designed to improve an employee's job performance). Through this process, the organization supports performance improvement and provides training opportunities according to the capabilities required, encouraging employees to take on new challenges. Establishing a framework for global human resource development is another important priority. To transform Gunze into a company capable of competing successfully on the global stage, we will develop a global human resource development framework aligned with the strategies of each business division.



Reform of the Evaluation System

Under the new personnel system, the personnel evaluation system (performance management system) is positioned as a core mechanism linked to grades, compensation, and human resource development. For managers, we set and evaluate job-size targets to strengthen their accountability for operating profit, ROIC, and engagement scores. For non-management employees, we have newly introduced challenge goals. Challenge goals are set using a nine-box grid (shown below). Standard-level goals are positioned in the center of the nine-box grid. Goals for which results and contribution (vertical axis) are higher than the standard level and the degree of transformation and improvement (horizontal axis) is greater than the standard level are designated as challenge goals (colored boxes). By having supervisors support employees in achieving these challenge goals, we aim to enhance both individual capabilities and the Company's capacity for growth. Under the new personnel system, we will also conduct Feedforward, linking personnel evaluation results to human resource development. Whereas conventional feedback focused primarily on evaluating past actions, we will strengthen initiatives centered on future growth, with supervisors and employees engaging in dialogue to encourage specific actions toward achieving future goals and personal development.



Human Capital

DE&I Initiatives

The Gunze Group positions DE&I* as one of its most important human capital strategies and is actively promoting the advancement of women.

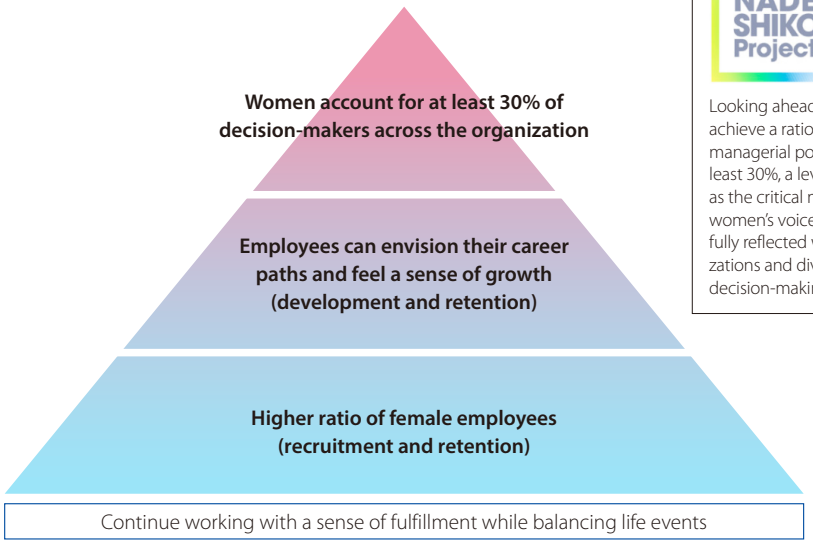
* DE&I stands for Diversity, Equity, and Inclusion. It is a concept that incorporates diversity, equity, and inclusion into areas such as corporate and educational philosophies to create an environment in which diverse human resources respect one another and can fully demonstrate their capabilities with equitable opportunities.

Advancement of women

In August 2025, we launched the "NADESHIKO Project" to maximize the potential of each female employee and accelerate the consideration and implementation of initiatives.
At least two project members are selected from each division, with the project currently comprising approximately 30 members. They proactively work to identify issues related to the advancement of women within their respective divisions, such as gender imbalances in recruitment, participation in training programs, and personnel transfers, as well as to identify female candidates for management positions and implement initiatives within their divisions. We have also established an "Advisory Board", comprising female Corporate Officers, female managers, and Outside Directors, to support the project's activities. Drawing on the Advisory Board as a source of second opinions, we are accelerating our initiatives by receiving timely and appropriate advice from its members on the advancement of women.
Going forward, as part of our efforts to transform mindsets and organizational culture, we will provide DE&I management training and unconscious bias training for executives and managers, as well as career development support and educational opportunities for the accelerated development of female employees.
We will also actively promote measures such as expanding flexible work arrangements that make it easier for employees to balance work and life.

Employment of persons with disabilities

At each business site, we are improving workplace environments in ways that accommodate the characteristics of different disabilities and providing employee education. Through these efforts, we are working to create workplaces built on mutual trust, where employees respect one another and can fully demonstrate their capabilities.
As of March 1, 2026, the employment rate of persons with disabilities was 2.8%, remaining above the statutory employment rate of 2.5%. We will continue striving to create a diverse and inclusive workplace where everyone can fully demonstrate their capabilities.



NADE SHIKO Project

Looking ahead, we aim to achieve a ratio of women in managerial positions of at least 30%, a level regarded as the critical mass at which women's voices are more fully reflected within organizations and diversity in decision-making increases.

Topics

Participation in the Boston Career Forum

To accelerate the realization of Promoting the Appointment of Diverse Talent (Global Talent), an important element of sustainability management set out in the human resources strategy under the Medium-term Management Plan, Gunze participated in the Boston Career Forum in the United States for the first time in November 2025. The forum attracts a large number of bilingual students. A total of 4,329 students and 195 companies participated. Many of the participating companies were consulting firms, trading companies, and financial institutions, while relatively few manufacturers participated. This enabled Gunze to connect with many students interested in working for manufacturers.
Through interactions with Japanese-English bilingual talent, whom we have few opportunities to meet at career forums in Japan, we have further broadened our options for securing outstanding talent.

Initiatives to Improve Engagement

Since fiscal 2022, Gunze has conducted monthly engagement surveys. The scope of the surveys was expanded in January 2025, and under the new personnel system introduced in fiscal 2026, engagement scores are incorporated into the performance evaluations of managers. Going forward, we will provide managers with coaching on how to use engagement scores and support them in improving their dialogue skills through one-on-one meetings and other opportunities. At the same time, we will promote improvements at the divisional level based on survey results, following a three-step approach to organizational development focused on strengths: visualizing the current state, engaging in candid dialogue, and creating the future. Specifically, we will establish an organizational development team with the Employee Well-being Office serving as the secretariat. Working together with managers, the team will assess the state of each organization from four perspectives, goals, roles, ways of working, and relationships, to clarify both issues and strengths. Through ongoing support and the sharing of best practices across divisions, we will help each organization develop the ability to drive improvements independently.

Implementation framework: Hands-on support by the Employee Well-being Office

Functions and roles	Specific activities	Expected effects
Establish a secretariat	• Develop and implement organizational development initiatives	• Ensure consistency of initiatives and timely decision-making
Analysis and direct dialogue	• Analyze survey results and engage in dialogue with individual divisions • Provide coaching on organizational conditions from four perspectives and promote improvements	• Implement highly effective measures based on the actual conditions of each division • Enable each division to drive improvements independently
Sharing best practices across the organization	• Articulate initiatives undertaken by divisions with high scores and share them Company-wide	• Raise the overall level of organizational development and management

Health and Productivity Management Initiatives

In 2025, Gunze strengthened its health and productivity management initiatives by formulating a Health and Productivity Management Declaration, establishing a promotion structure, and developing a strategy map. As a result, Gunze was certified as a Health & Productivity Management Outstanding Organization 2026 (Large Enterprise Category). We will continue to actively promote health and productivity management with the aim of remaining a company that society needs by enabling each employee to fully demonstrate their capabilities.

2026 健康経営優良法人 KENKO Investment for Health 大規模法人部門

Main Initiatives

Prevention of lifestyle-related diseases	100% participation in regular health checkups; thorough follow-up for employees with abnormal health checkup findings; increasing participation in Specific Health Guidance in collaboration with the Health Insurance Society; jointly holding health-related events with the Health Insurance Society and labor union; providing healthy menu options at business sites with cafeterias equipped with kitchens
Mental health measures	Line care (training for newly appointed managers); self-care (training for employees from their first through third years); raising awareness of external consultation services
Measures to address women's health issues	Providing access to external consultation services; providing information on free ovarian function testing
Smoking cessation measures	Promoting the Health Insurance Society's smoking cessation program
Infectious disease prevention	Subsidizing the cost of influenza vaccinations
Other	Promoting workplace communication through one-on-one meetings and other initiatives

Topics

Example of an Initiative to Improve Engagement

Hideo Hayashi
Manager, Sales Section 3, Sales Division, Plastic Film Company

To maximize organizational strength, it is essential to bring individuals' outstanding capabilities together toward a common goal. In my department, we focus on strengthening connections among people and enhancing organizational capabilities as we work to "create a workplace where people want to work." Personally, I follow three principles in my interactions with team members: "Make eye contact," "Stop what I am doing," and "Do not cut conversations short because of time." Through these practices, we help team members feel valued, ensure psychological safety, build relationships of trust, and thereby improve engagement. At the heart of this initiative are "listening" by managers and creating an environment in which team members feel that they "want to" do something rather than that they "have to." By investing time in dialogue with team members and pursuing results together, we aim to achieve sustainable growth across the organization.

Work–Life Balance Support Programs

General	Childcare		Nursing care	Illness
• Telework system • Flextime system • Annual paid leave in half-day and one-hour increments	• Leave for spouse's childbirth • Childcare leave (five paid days) • Papa-Mama Childcare Leave Plus • Restrictions on overtime and late-night work for employees with childcare responsibilities • Restrictions on work beyond prescribed working hours for childcare	• Shorter working hours for childcare • Child nursing care leave • Subsidies for childcare services • Subsidies for extended childcare services • Subsidies for babysitting and other childcare services	• Nursing care leave • Restrictions on overtime and late-night work for employees with nursing care responsibilities • Restrictions on work beyond prescribed working hours for nursing care • Shorter working hours for nursing care • Nursing care leave • Subsidies for nursing care service fees	• Sick leave and leave of absence due to illness • Reinstatement of expired annual paid leave*1

*1 A system that allows employees to request the reinstatement of annual paid leave that has expired due to the statutory time limit.

Manufactured Capital

Advancing Manufactured Capital to Strengthen the Foundation for Sustainable Growth

Tomohisa Okuda
Director and Managing Corporate Officer
President, Plastic Film Company (Executive in charge of Technology and R&D)

Manufactured Capital Supporting a Changing Business Environment

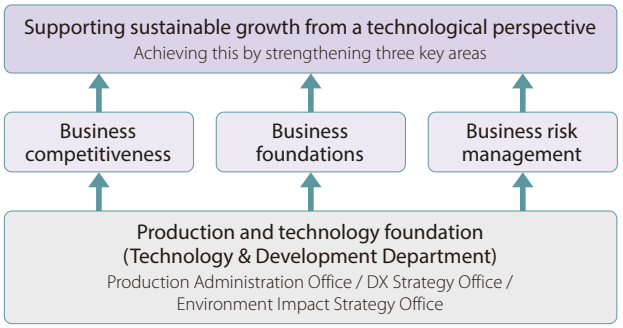
As Gunze marks its 130th anniversary, it has built on manufacturing technologies and frontline capabilities cultivated over many years to provide a stable supply of high-quality products across a diverse range of businesses, including plastic films, engineering plastics, medical, and apparel.
One of our key strengths is that, starting from customer and market needs, we have continuously accumulated and advanced our core technologies in-house through repeated verification and improvement across the entire process, from product development and mass production to equipment upgrades.
We also handle the equipment required for mass production in-house, from the conceptual stage through design and installation. This enables us to optimize technologies and equipment together, and we have established a framework for rapidly commercializing highly distinctive products.
At the same time, the environment surrounding manufacturing has changed dramatically in recent years. Structural challenges that cannot be adequately addressed simply by extending conventional approaches have become increasingly apparent, including severe labor shortages in Japan and overseas, rising raw material and energy prices, supply chain instability due to geopolitical risks, and increasingly stringent environmental regulations worldwide. Customer requirements are also becoming more sophisticated and multifaceted.
In addition to conventional expectations for quality, price, and delivery, customers increasingly demand environmental considerations, stable supply in the event of unforeseen circumstances, and the ability to bring products to market quickly.
To respond to these changes, the Gunze Group shares technologies and expertise accumulated at individual businesses and plants across the Company and deploys them horizontally to raise overall manufacturing capabilities. At the same time, through innovation in manufacturing processes, we are building a resilient manufacturing foundation that can respond effectively to change, thereby improving profitability and creating value.

Manufacturing Process Innovation under VISION 2030 stage2

Under the Medium-term Management Plan VISION 2030 stage2, which looks ahead to 2030, we have positioned the three years from fiscal 2025 through fiscal 2027 as a period for transforming Gunze into a company capable of sustainable growth. To realize the basic concept of "building a sustainable business foundation to remain a company of choice around the world," strengthening manufactured capital is an important foundation for expanding growth businesses and improving the profitability of existing businesses.
In fiscal 2026, the second year of stage2, we have positioned "strengthening global competitiveness and technologies" as one of our key themes. We see this as a phase in which we will further accelerate the implementation of manufacturing process innovation to enhance quality, cost competitiveness, and supply capabilities.
Going forward, we will strengthen production systems in alignment with the strategies of each business, make effective capital investments, and reform processes to reduce costs. We will also improve productivity through automation and labor-saving measures, transform operations through the use of DX and AI, and promote resource circulation through the development of environmental technologies. Through these initiatives, we will pursue both environmental responsiveness and higher profitability while building a resilient, capital-efficient manufacturing foundation.

Structure and Focus Areas of the Technology & Development Department

The Technology & Development Department reorganized its structure in April 2026 and is pursuing new value creation unconstrained by conventional frameworks as the production and technology foundation supporting manufacturing process innovation. With the strengthening of "business competitiveness," "business foundations," and "business risk management" as its three core pillars, the department is developing technologies to enhance global competitiveness while strengthening risk management in priority areas such as legal and regulatory compliance, quality, occupational safety, cybersecurity, and chemical substance management. Through these efforts, it supports sustainable growth from a technological perspective.



Manufactured Capital

Initiatives in Automation and Labor Saving, DX/AI Utilization, and Environmental Technology Development

To further advance its manufactured capital, the Gunze Group is promoting the following initiatives, with a focus on automation and labor saving, the utilization of DX and AI, and environmental technology development.

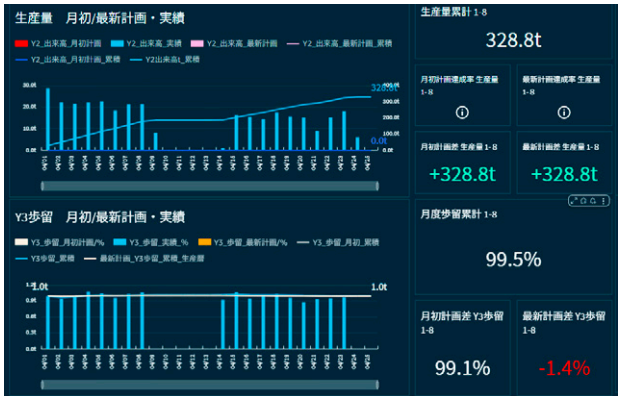
Improving productivity through automation and labor saving

To address labor shortages and the need to transfer skills, we are automating processes that have traditionally relied on manual work. For the bonding and sewing line for apparel products, we developed the "Smart Line," an automated line combining handling, sensing, image processing, and other technologies. By deploying the elemental technologies established through this initiative to existing equipment, we achieved a 34% improvement in efficiency in certain processes. We are also extending these technologies to the Medical Business, one of our growth areas, to improve production process efficiency and stabilize quality. By partially automating previously labor-dependent processes and linking them into continuous operations, we are enhancing supply capacity and quality stability while strengthening our manufacturing technologies through the cross-business application of technology.

Automated line at the Medical Ayabe Plant

Transforming operations through DX and AI

Through the use of DX and AI, we are visualizing business processes and production conditions and encouraging a shift toward a "self-solving" approach, in which each employee uses data to identify issues and make improvements. In production, starting with the optimization of production planning, we are advancing the sophistication of SCM as a whole by linking procurement, production, logistics, and sales. By integrating and visualizing information on demand trends, inventory levels, production capacity, and other factors, we are improving inventory turnover and equipment utilization while reducing stockout rates. In equipment maintenance, we are also digitizing and accumulating inspection records and failure histories and establishing mechanisms that enable the knowledge of experienced personnel to be shared and utilized. Through these efforts, we are developing smart maintenance systems that help prevent unplanned shutdowns, improve maintenance efficiency, and facilitate the transfer of technical expertise.



Production management screen utilizing DX (illustrative)

Promoting resource circulation through environmental technology development

In environmental technology development, we regard reducing environmental impact as an investment in sustainable growth and are advancing the development of proprietary technologies. One example is the Engineering Plastics Division, which has established a closed-loop recycling system for organic solvents, generating profits through internal resource circulation. In the plastic films field, we have also established de-inking technology that removes ink components from recovered label scrap, enabling closed-loop recycling into shrink labels. In addition, we are promoting initiatives to reduce and reuse resources, accelerating the transition to resource-circulating manufacturing.

Through these initiatives, the Gunze Group will simultaneously improve productivity, stabilize quality, and reduce environmental impact, while further advancing its manufactured capital to support sustainable growth.

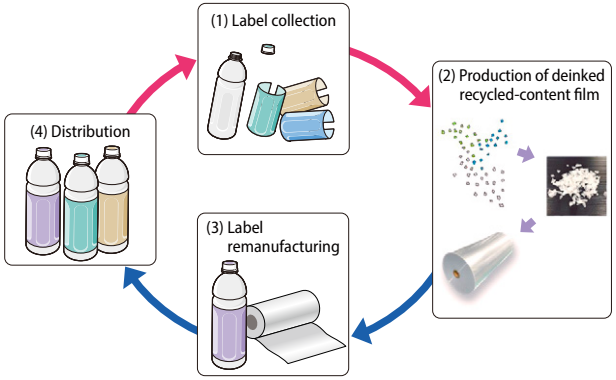


Illustration of "label-to-label" closed-loop recycling

Intellectual Capital

Strengthening Intellectual Capital to Support New Value Creation

Masafumi Yamagami
Corporate Officer
General Manager,
Innovation Department

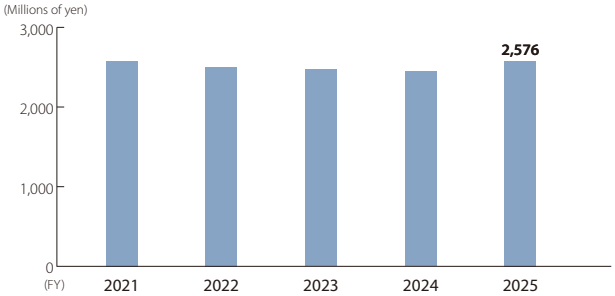
Fundamental Technologies of the Gunze Group

The Gunze Group positions "fiber processing technology," "resin processing technology," and "manufacturing technology × equipment development" as its fundamental technologies and regards the technologies it has accumulated over the years as an important form of intellectual capital.
Each business division actively promotes product and technology development based on customer needs while working to further advance its proprietary technologies.
At the corporate level, the Technology & Development Department and the Research & Development Department strengthen fundamental technologies from a Company-wide, medium- to long-term perspective.
The Technology & Development Department promotes cost structure reform, more advanced production processes, and energy reform through the use of DX and other advanced technologies, while the Research & Development Department works to create new differentiated technologies.
Through these initiatives, we are continuously strengthening the Gunze Group's intellectual capital by accumulating technologies and know-how as well as R&D results, while also developing human resources.

Strengthening Intellectual Capital through R&D

The Research & Development Department conducts R&D on raw materials and processing technologies, centered on three laboratories aligned with the Group's fundamental technologies and core business fields: the Functional Materials Laboratory, Medical Device Materials Laboratory, and Fiber & Textile Laboratory.
In addition to conducting R&D on differentiated technologies that offer originality and competitive advantage, each laboratory is taking on the challenge of creating product portfolios for new fields by leveraging its research results and collaborating with external partners.
The Functional Materials Laboratory is integrating and further advancing the resin processing technologies cultivated over the years while conducting R&D on the design of composite materials using high-performance resins and on molding and processing technologies.
The Medical Device Materials Laboratory conducts R&D and application development involving bioabsorbable materials and related processing technologies, with the aim of creating high-value-added products that meet the needs of medical professionals.
The Fiber & Textile Laboratory is further advancing the fiber processing technologies accumulated over the years and actively conducting R&D on high-performance fibers for industrial applications as well as apparel applications.

Gunze Group R&D expenditures



In these R&D activities, we are promoting cross-organizational collaboration within the Group while expanding collaboration with companies, universities, and research institutions to build a more effective and efficient R&D framework. Through these activities, we are strengthening the intellectual capital that supports sustainable value creation by accumulating technologies and expertise, including differentiated technologies, while also enhancing our research talent and external collaboration networks.

Topics

Establishment of the DX Strategy Office

A new structure to drive Company-wide digital transformation

Takaaki Tomita
Senior Manager, DX Strategy Office,
Technology & Development Department

The DX Strategy Office was established to realize "transforming actions through DX, a management policy for fiscal 2026. By promoting the use of DX technologies and driving digital transformation across the Company, the office aims to enhance corporate competitiveness.
While taking on the challenge of reforming business processes beyond the extension of conventional approaches, the office centrally oversees a wide range of functions, from formulating and implementing Company-wide digital strategies and promoting the use of Gunze AI to introducing new technologies and developing and maintaining systems. By consolidating previously dispersed IT functions, the office is also improving operational efficiency while accelerating the development and reskilling of digital talent and systematically accumulating digital technologies and know-how.

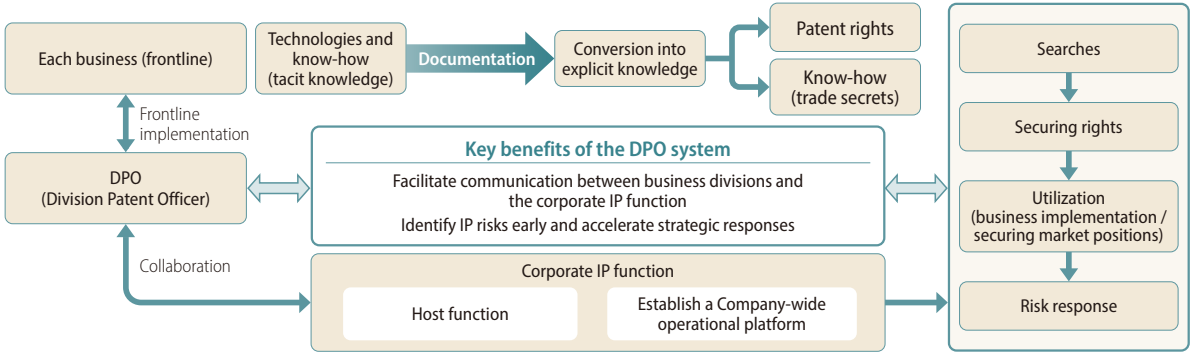
Intellectual Property Activities that Drive Business Value: DPO System × IP Mix

Naoko Hayashi
Corporate Officer
General Manager, Intellectual Property & Legal Department

Intellectual Property Development Initiatives

The Gunze Group's intellectual property strategy focuses on building mechanisms to manage intellectual assets cultivated in each business, including technologies and know-how, across the Group as intellectual property directly linked to business value, and to put them in a form that can be effectively utilized. Tacit knowledge in the workplace is documented and converted into explicit knowledge in the form of patent rights and know-how (trade secrets). The IP & Legal Department serves as the host department, establishing a Company-wide operational platform and consistently driving activities ranging from research and securing rights to utilization, including business implementation and securing market positions, as well as risk management.
To make these mechanisms effective, Gunze is systematically strengthening both decision-making and IP rights strategy. Specifically, development managers in each business division are appointed as DPOs (Division Patent Officers) to facilitate communication and procedures between the intellectual property function and frontline operations. This framework also enables prompt and appropriate decision-making in situations requiring business judgment, such as approving patent applications and responding to infringement.
In addition, Gunze is thoroughly implementing an IP Mix tailored to the characteristics of each business, building competitiveness through multifaceted protection that combines designs, trademarks, and know-how with patents. Going forward, we will further strengthen efforts to develop intellectual property for priority technologies and product groups that address societal needs such as resource circulation (reducing environmental impact), transformation of manufacturing processes through digital technologies (labor saving and greater efficiency), and safety and security. Our focus will shift from the Apparel Business toward the Functional Solutions Business and Medical Business, which are growth businesses. At the same time, we will accelerate decision-making on bringing these technologies and products to market and investing in priority areas, while promoting external collaboration, enhancing competitiveness, and driving business growth.

Overview of IP activities driven by DPOs and the corporate IP function



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

		FY2023	FY2024	FY2025
Patents held	Domestic	691	680	652
	Overseas	249	228	198
Designs	Domestic	216	248	253
	Overseas	10	10	10
Trademarks held	Domestic	1,934	1,914	1,882
	Overseas	803	802	811

Topics

Internal Communications on Intellectual Property

From "Difficult to Understand" to "Easy to Understand"

Intellectual property activities are often perceived as difficult to understand or hard to see. To address this, Gunze continuously uses its Company intranet to share information that helps employees feel more familiar with intellectual property. Through feature articles in the Company newsletter and other communications, the IP & Legal Department explains everyday examples related to legal and intellectual property matters and brands in an easy-to-understand manner. It also shares scenes from in-house training sessions and workshops, which have led to requests from individual business sites to hold similar programs.
Gunze also presents the Da Vinci Award from the President to engineers who have made outstanding contributions to management. At the award ceremony, which is conducted in an interactive format, the President personally listens to the challenges the engineers faced during development and demonstrates respect for their efforts, thereby encouraging further motivation to create new intellectual property. The ceremonies are also featured on the Company intranet, together with photographs and comments from the award recipients.

Social and Relationship Capital

Strengthening the Foundation for Enhancing Social and Relationship Capital

Naoko Hayashi
Corporate Officer
General Manager, Intellectual Property & Legal Department

The Gunze Group's Approach to Social and Relationship Capital

Guided by its founding spirit of Respect for Humanity, the Gunze Group regards coexistence and mutual prosperity with all stakeholders as the foundation of its social and relationship capital. The Gunze Code of Conduct sets out our commitment to conducting business in accordance with fair rules and standards recognized globally. By continuing to respond sincerely to society's expectations, we aim to build enduring relationships of trust.
Across our supply chain, the Gunze Group Supplier Code of Conduct serves as a guiding framework. Together with our business partners, we promote responsible business practices that ensure compliance with laws and regulations, consideration for the environment, and respect for human rights.
By addressing social issues through our businesses and maintaining transparent business relationships, we will contribute to a sustainable society while enhancing corporate value.

Promoting Compliance Across the Gunze Group

To remain a company of choice globally, the Gunze Group is strengthening its compliance framework to support ethical business conduct. As our business becomes increasingly global, the laws and regulations we must comply with are growing in number and complexity, while rapid decisions are required in response to an ever-changing political and economic environment. Against this backdrop, the IP & Legal Department, mindful of its role in advising management, reviews contracts and monitors relevant laws and regulations while ensuring that regulatory information is communicated and understood throughout the organization.
We have also established an internal Advice Hotline as well as an external whistleblowing channel staffed by attorneys, to identify at an early stage the causes of occupational accidents, misconduct, harassment, and other compliance violations and take appropriate action. We promote the use of these channels through posters and regular communications on the Company intranet.
In fiscal 2024, we established dedicated consultation channels for employees from Vietnam and Indonesia, who account for a large proportion of our foreign workforce, enabling them to seek advice in their native languages. All reports received through these channels are investigated fairly and promptly with due consideration for privacy, with appropriate action taken to resolve any issues identified. In fiscal 2025, none of the internal reports involved matters that had a material impact on our business.

Breakdown of reporting and consultation

Cases	FY2023		FY2024		FY2025	
	Hotline	External reporting desk	Hotline	External reporting desk	Hotline	External reporting desk
Workplace relationships	4	0	3	2	4	3
Sexual harassment	2	0	0	0	0	1
Power harassment	4	0	3	2	4	2
Facts subject to whistleblowing	1	0	0	1	0	0
Others	7	0	7	3	9	2
Total	18	0	13	3	17	4

* 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.

Topics

In-house training initiatives

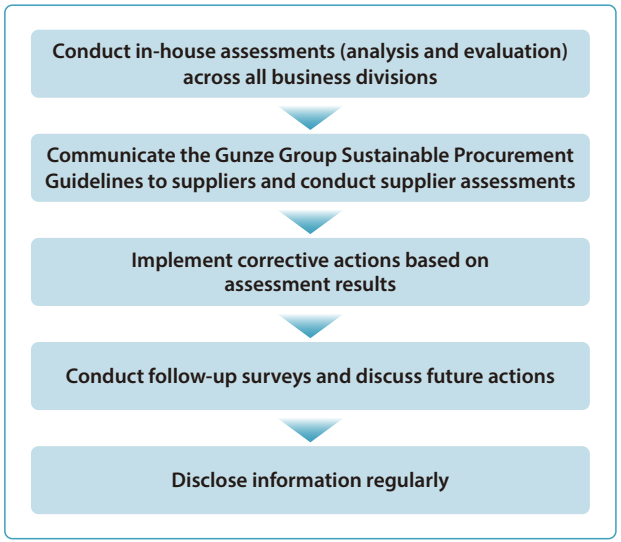
The IP & Legal Department provides training on laws and regulations, including the SME Transactions Act, the Act against Unjustifiable Premiums and Misleading Representations, and the Act on the Protection of Personal Information, as well as topics such as generative AI literacy, how to read patents, and key considerations when filing patent applications. Under the mottos "Everyone is a trainer" and "Learning by teaching," department members seeking to develop expertise in their respective fields serve as instructors.
Training is available both in person and remotely, and employees who are unable to attend due to work commitments or other reasons can later view recordings on the Company intranet. In FY2025, training sessions hosted by the IP & Legal Department were attended by a cumulative total of 1,415 employees.

Implementing Supply Chain Management

Initiatives to ensure respect for human rights (Human rights due diligence*)

Gunze's founding philosophy emphasizes respect for humanity, 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.

Human rights due diligence process



* Human rights due diligence refers to the process of identifying adverse human rights impacts and risks, analyzing and assessing those risks, and formulating and implementing appropriate measures.

In-house assessments

In light of human rights risks associated with foreign workers, we began fact-finding surveys at six plants in Japan in fiscal 2022. Since fiscal 2023, we have conducted on-site surveys as part of our regular compliance audits, including direct interviews with foreign workers, to check conditions such as hygiene in their living and working environments. In fiscal 2025, we conducted a second on-site survey at Kyushu Gunze Co., Ltd. Ongoing monitoring based on the findings of previous surveys confirmed that appropriate living and working conditions continue to be maintained. We will continue conducting on-site surveys and providing support to help ensure that all sites maintain safe and comfortable working environments.

Number of plants surveyed regarding foreign workers

	Domestic plants
FY2023	Three plants (Miyazu Plant, Tohoku Gunze Co., Ltd., and Kyushu Gunze Co., Ltd.)
FY2024	Two plants (Yanase Plant and Tsuyama Gunze Co., Ltd.)
FY2025	One plant (Kyushu Gunze Co., Ltd.)

* The survey covers all domestic plants employing foreign workers at the time of each survey.

Supplier Assessments

Since fiscal 2022, we have conducted assessments of key suppliers. We use a questionnaire covering the United Nations Global Compact's Ten Principles in the four areas of human rights, labor, the environment, and anti-corruption to identify and assess risks. The assessments are conducted on a regular cycle that covers each business once every three to four years. In fiscal 2025, we surveyed eight key suppliers accounting for more than 80% of transaction value in the plastic films field. By the end of fiscal 2025, we had completed assessments of a cumulative total of 127 key suppliers in Japan and overseas. No serious labor-related issues have been identified through the assessments to date. For suppliers with lower scores, our representatives hold individual meetings with them and work together to improve their initiatives.

Status of supplier assessments

	Number surveyed				
	2022*	2023	2024	2025	Total
Plastics field	14			8	22
Engineering plastics field		9			9
Medical business	5				5
Gunze Medical Limited			4		4
Apparel business	75				75
Textile materials field		12			12
	94	21	4	8	127

* In fiscal 2022, suppliers were selected from a broad pool. From fiscal 2023, selection criteria were established and assessments were limited to suppliers accounting for approximately 80% of total transaction value. Since then, responses have been received from nearly all suppliers surveyed.

Natural Capital

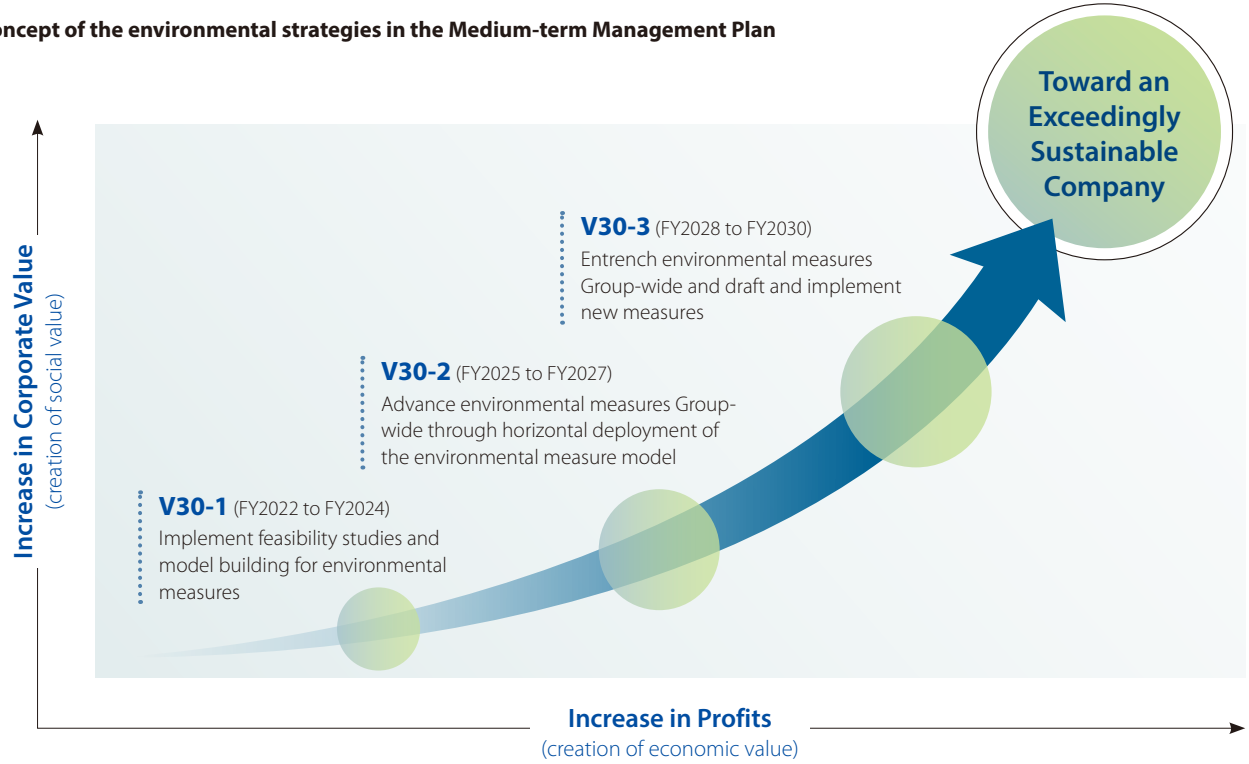
Strengthening the Business Foundation Through Environmental Technologies to Help Realize a Sustainable Society

Tomohisa Okuda
Director and Managing Corporate Officer
President, Plastic Film Company (Executive in charge of Technology and R&D)

VISION 2030 stage2 Environmental Strategies

Under VISION 2030 stage2, the Gunze Group is promoting sustainability management that seeks to achieve both social value and economic value, with the aim of remaining a company of choice globally by building a sustainable business foundation.
The Gunze Group's business activities depend on natural capital, including water resources, fossil-based raw materials, and energy, while the use of these resources gives rise to environmental impacts such as greenhouse gas emissions, wastewater, and waste generation. We therefore recognize the importance of properly understanding our dependencies and impacts on natural capital, reducing risks associated with resource constraints and increasingly stringent environmental regulations, and expanding business opportunities through initiatives such as the development of environmentally friendly products.
Based on this recognition, we are building on the environmental initiatives established under VISION 2030 stage1 and advancing an environmental strategy focused on three priority areas: resource circulation, decarbonization, and coexistence with nature, taking into account our dependencies and impacts on natural capital.
In line with these policies, we are continuously working to reduce our environmental impact while also containing energy costs and improving the stability of energy supplies, thereby enhancing the resilience of our business foundation. Through these efforts, we are making steady progress toward our non-financial target of reducing CO_2 emissions by at least 31% from fiscal 2013 levels by fiscal 2027 (Scopes 1 and 2).
As we work toward the realization of a resource-circulating society, promoting resource circulation not only helps reduce waste and contain raw material costs, but also strengthens our ability to respond to rising resource prices and procurement risks. The use of recycled materials and the development of circular business models also enable us to meet customers' environmental needs and create new value. Through these initiatives, we aim to contribute to a sustainable society while enhancing the Gunze Group's corporate value over the medium to long term.

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



Natural Capital

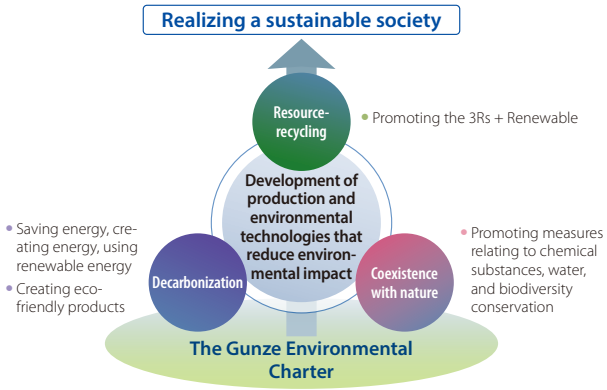
Priority Areas under VISION 2030 stage2

Under VISION 2030 stage2, the Gunze Group has identified resource circulation, decarbonization, and coexistence with nature as three priority areas, pursuing both reduced environmental impact and greater business resilience.
These initiatives go beyond environmental measures alone. We are advancing them as measures to strengthen our management foundation by addressing business risks such as rising resource prices and energy costs, raw material procurement risks, and water-related risks.

Resource recycling

Under the concept of "3R + Renewable*1," the Gunze Group is promoting reduction and recycling across the Company. In the plastic films field, we have commercialized environmentally friendly shrink film incorporating recycled material produced from recovered label scrap. In addition to reducing waste and the use of virgin plastic, this initiative is helping strengthen our resilience to rising resource prices and uncertainties in raw material supply. Going forward, to further expand this circular model, we will pursue technological innovation, including the development of high-quality recycling technologies that enable materials to withstand multiple recycling cycles, process improvements to reduce costs, and further energy-saving measures. We will also work to establish a collaborative framework across the entire supply chain involving partner companies and consumers.

Activity progress of stage2



Decarbonization

With the aim of achieving carbon neutrality by 2050, we are increasing the share of renewable energy through energy-saving initiatives using energy management systems (EMS), the installation of solar power generation facilities, and the acquisition of FIT non-fossil certificates derived from our own power generation facilities. At each plant, we are continuously working to reduce energy intensity, thereby lowering CO_2 emissions and containing energy costs.

Coexistence with nature

We are working to reduce environmental impact, with a particular focus on managing water intake and wastewater discharge. Water use is particularly high in apparel dyeing processes and plastic manufacturing processes. We therefore apply voluntary standards that are stricter than applicable environmental laws and local regulations and rigorously manage wastewater discharge. Through these efforts, we seek to minimize impacts on local rivers, aquatic environments, and ecosystems. We are also working to reduce impacts on biodiversity through rigorous wastewater and chemical substance management and by reducing waste.
Through these initiatives, we are not only reducing CO_2 emissions and waste generation but also lowering energy and raw material consumption and waste disposal costs, thereby contributing to improved profitability.
Going forward, we will steadily advance initiatives in each priority area and seek to achieve further sustainable growth and greater business competitiveness by building circular business models that deliver both environmental and economic value.

*1 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.

Resource Circulation Initiatives

In the Apparel Business, we developed recycled hangers made entirely from PCR*2 material derived from waste plastic and established a resource circulation scheme involving the supply chain. Waste plastic generated at logistics facilities operated by Group company Gunze Logistics Co., Ltd. is recycled into raw material and used to produce hangers for men's innerwear. Approximately 350,000 of these hangers are expected to be used annually, helping to reduce both waste and the use of virgin plastic. In the textile materials field, we have established a technology that reduces the use of organic solvents in the production of sewing thread for automotive airbags. By redesigning the equipment to minimize the contact area between the resin solution and air, we have reduced solvent evaporation. In addition to lowering environmental impact, this technology has also improved the working environment. In fiscal 2026, we will expand its use to overseas plants.
In the plastic films field, we are also actively advancing the Circular Factory Project, which aims to establish a resource circulation model. As a leading example of these efforts, the Moriyama Plant achieved zero plastic waste in fiscal 2025 through rigorous sorting and management under its Zero Waste Project. At the same time, to recycle film scrap generated within the Group and from the market that bears ink and other residues, we are utilizing de-inking technology*3. We have begun selling environmentally friendly shrink film containing recycled material produced through the closed-loop recycling of label scrap. In addition to reducing the use of virgin plastic, this product helps lower CO_2 emissions by making the recycling process more efficient. Going forward, we will expand the product lineup and broaden applications to areas such as food and toiletries, with the aim of achieving a 100% recycling rate by 2030.

*2 PCR: Abbreviation for Post-Consumer Recycled. Material made by recycling used products recovered from the market.
*3 De-inking: Technology for removing ink, adhesive components, and other substances from printed films and similar materials.

Natural Capital

Decarbonization Initiatives

In fiscal 2025, the Gunze Group's combined Scope 1 and 2 emissions in Japan and overseas totaled 98,910 t-CO_2, down 8.8% year on year and 42.7% from fiscal 2013 levels, well exceeding the fiscal 2025 target of a reduction of at least 29% from fiscal 2013 levels. This progress was driven primarily by continued energy-saving initiatives using energy management systems (EMS), the expanded use of renewable energy, and efficiency improvements through equipment upgrades. These initiatives are steadily reducing CO_2 emissions while also helping to contain energy costs and improve the efficiency of production activities. In fiscal 2026, we will extend the environmental initiatives established at our domestic sites to overseas operations and introduce high-efficiency and next-generation energy-saving equipment to further reduce environmental impact and improve efficiency.

Scope 3 emissions totaled 382,151 t-CO_2, down 3.4% year on year, or 13,486 t-CO_2. Going forward, we will work to formulate reduction policies and set targets across the entire supply chain through emissions reduction initiatives undertaken in collaboration with key suppliers, the use of recycled materials, and the promotion of resource circulation. We will also improve the accuracy of emissions data, including data from overseas sites, and conduct impact analyses to strengthen our Scope 3 management framework.

For the calculation of Scope 1, 2, and 3 emissions, we undergo third-party verification by an independent specialist organization to ensure data accuracy and transparency and prevent greenwashing. No instances of non-compliance with the calculation rules were identified in the fiscal 2024 calculation report. We will continue to provide highly reliable disclosure based on international standards, strengthen relationships of trust with stakeholders, and advance effective decarbonization management.

CO_2 emissions (Scope 1, 2 ,3)

	FY2025	FY2024	Compared to FY2024	Compared to FY2013
	Emission volume (t-CO_2)	Emission volume (t-CO_2)	Reduction volume (%)	Reduction volume (%)
Scope 1 + 2	98,910	108,457 ●	8.8	42.7
Scope 1	28,547	31,056 ●	8.1	45.4
Scope 2 (Market-based)	70,364	77,400 ●	9.1	41.5
Scope 2 (Location-based)	72,786	74,392	2.2	42.9

Scope 3 emissions	FY2025	FY2024
	Emission volume (t-CO_2)	Emission volume (t-CO_2)
Scope3	382,151	395,637 ●
Cat. 1: Purchased goods and services	221,923	233,836 ●
Cat. 2: Capital goods	35,291	22,250
Cat. 3: Fuel- and energy-related activities (not included in Scope 1 or 2)	13,875	14,838
Cat. 4: Upstream transportation and distribution	10,521	10,821 ●
Cat. 5: Waste generated in operations	3,497	3,908 ●
Cat. 6: Business travel	321	425
Cat. 7: Employee commuting	941	1,279
Cat. 8: Upstream leased assets (not applicable)	—	—
Cat. 9: Downstream transportation and distribution (included in Cat. 4: Upstream transportation and distribution)	—	—
Cat. 10: Processing of sold products (not applicable)	—	—
Cat. 11: Use of sold products	12,614	12,504
Cat. 12: End-of-life treatment of sold products	83,169	95,774 ●
Cat. 13: Downstream leased assets (not applicable)	—	—
Cat. 14: Franchises (not applicable)	—	—
Cat. 15: Investments (not applicable)	—	—

* Scope 1 and 2 are calculated for all Gunze Group business sites in Japan and overseas
* Scope 3 is calculated for all Gunze Group business sites in Japan.
* ● indicates data that has been independently verified by a third party.

Topics

Putting CO_2 reduction into practice through EMS at production sites

Naoto Yamaguchi
Technology & Development Department Production Equipment Section, Production Administration Office

Through my work on implementing energy management systems (EMS) across multiple business divisions, I have come to recognize the importance of visualizing energy use. By displaying power consumption and production volumes for individual pieces of equipment on dashboards, we can now quantify losses that were previously understood only intuitively. This has made it easier to verify the effects of improvements in real time and share areas for further improvement.

The accumulation of small improvements at production sites has made a significant contribution to greater energy efficiency and has encouraged more active, production-site-led improvement initiatives.

Going forward, we will make further use of the data we have accumulated to improve efficiency through integration with AI and IoT. As we expand these initiatives overseas, I believe environmental measures that leverage these digital technologies will also play an important role.

Natural Capital

Initiatives for Coexistence with Nature

Policy on water resource conservation

Based on the principle of "recognizing our dependence on the benefits provided by nature and coexisting with local communities and the environment," the Gunze Group is committed to the sustainable use of water resources.

Water plays an essential role in a wide range of our business activities, including fiber processing in the Apparel Business. At our production sites, we have established voluntary standards that are stricter than applicable environmental laws and local regulations and rigorously manage wastewater quality and prevent water pollution, with the aim of coexisting with local communities that share the same water resources.

We also promote the efficient use and recycling of water according to the geographic characteristics and water consumption of each site and continuously implement improvement initiatives to ensure the sustainable use of water resources.

Water withdrawal information

Water source	FY2023	FY2024	FY2025
Tap water (m^3)	510,169	486,312	427,026
Industrial water (m^3)	2,737,553	2,738,933	2,652,080
River water (m^3)	382,255	322,886	265,601
Groundwater (m^3)	527,734	485,795	572,397

Wastewater information

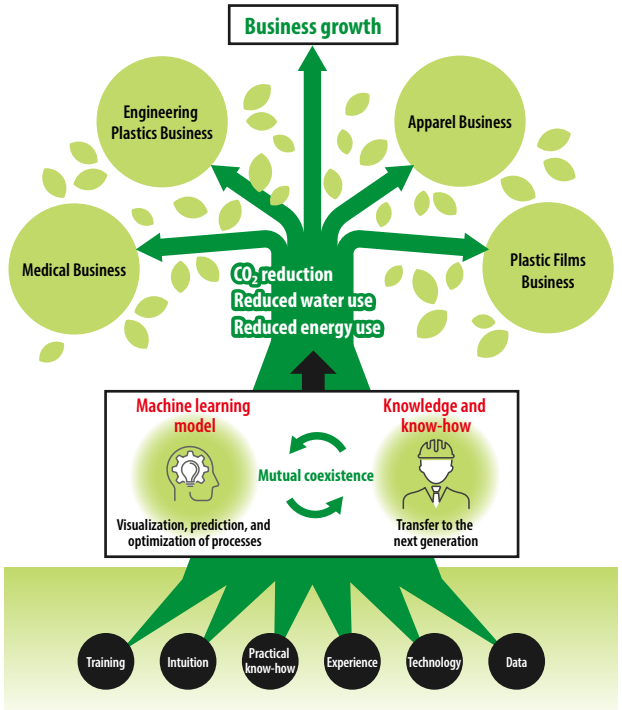
Item		FY2023	FY2024	FY2025
Environmental wastewater discharge (m^3)		2,579,690	2,646,712	2,333,868
Water pollutant: BOD (t)	Gunze Group (Domestic)	3.0	3.9	4.2
	Gunze Group (Overseas)	0.4	0.4	0.4
Water pollutant: COD (t)	Gunze Group (Domestic)	14.7	15.3	12.4
	Gunze Group (Overseas)	3.7	3.8	9.5

Initiatives to conserve water resources

To assess risks associated with the water resources used at our production sites from multiple perspectives, we conduct water risk assessments of the locations of our major manufacturing sites using the Aqueduct Water Risk Atlas provided by the World Resources Institute (WRI), an international environmental NGO. The assessment confirmed that sites located in areas with high water risk accounted for 7.2% of the Group's total water withdrawal in fiscal 2024.

To address these risks, we will continue our existing water management practices while also rolling out across the Group the technologies and management methods for reducing environmental impact that have been established at our key sites in Japan.

Illustration of the use of process informatics (PI)



Through these efforts, we aim to ensure the sustainable use of water resources over the long term and maintain and further enhance our water management systems at all sites, including those located in areas with high water risk.

As a specific initiative, we are focusing on dyeing processes, which consume large volumes of water, and pursuing improvements using Process Informatics (PI)*.

PI is a technology that integrates and analyzes data accumulated over many years at production sites to improve quality, production efficiency, and operational stability. We are applying PI to reduce the need for re-dyeing, thereby reducing water consumption and improving productivity. We believe these initiatives will not only lower costs through reduced water use, but also help expand our environmentally friendly product offerings and enhance customer recognition of our environmental efforts.

Chemical substance management

The Gunze Group promotes the proper management of chemical substances to minimize impacts on human health and ecosystems and reduce environmental risks associated with its business activities. Based on laws and regulations in Japan and overseas as well as international conventions, we have established a five-tier management framework ranging from the prohibition of use to the reduction of emissions. Under this framework, we are working to replace substances with safer alternatives and reduce the amounts used.

We have also established a clear framework of responsibility for chemical substance management. At each site, we assess hazards and risks and consider appropriate countermeasures, while continuously improving our management practices by monitoring regulatory developments, reviewing management standards, and providing regular education and training.

In fiscal 2025, there were no serious violations of environmental laws and regulations related to areas such as air, water, or chemical substances, and no fines, surcharges, or penalties were imposed.

* Process Informatics (PI): The use of data to optimize manufacturing processes.

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 incorporated into our governance structure (▶P.68).

(2) Risk management

Sustainability-related risks, response measures, and opportunities are reviewed by the department primarily responsible for each topic and shared with the relevant business divisions and other head office departments. The business divisions and head office departments work together to develop and implement response measures, while the department primarily responsible reports to the Sustainability Committee and Risk Management Committee. Important sustainability issues are then reported by these committees to the Corporate Officers' Meeting and subsequently to the Board of Directors, enabling the Gunze Group to integrate and manage risks across the Group.

Roles of committees and organizations in sustainability promotion
https://www.gunze.co.jp/english/sustainability/environment/management/

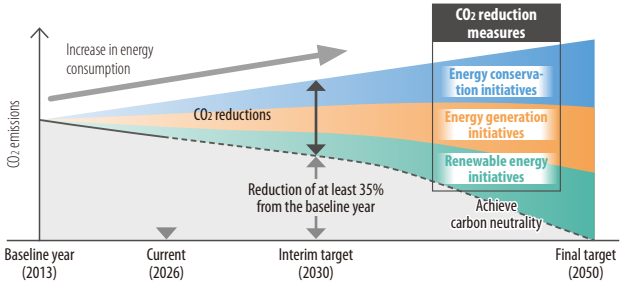
(3) Strategy

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.
We conducted analysis in response to the 1.5°C target since this has become the global target. Specifically, we have formulated two scenarios that reference reports issued by governments and international organizations. These include the decarbonization scenarios (1.5°C scenario) such as the NZE2050*1 presented in the IEA World Energy Outlook and the warming progression scenarios (4°C scenario) based on the IPCC AR5 RCP8.5 scenario.*2 The two scenarios are analyzed based on transition risks toward a decarbonized economy and physical risks associated with the progression of global warming.
The Gunze Group will continue to revise its scenario analysis to improve its strategies.

*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 CO_2 emissions by 2050.
*2 RCP8.5 scenario: A scenario in Figure SPM6 of the summary for government policymakers of Synthesis Report (SYR) of the IPCC Fifth Assessment Report (AR5), which forecasts a temperature increase of 2.6°C to 4.8°C by 2100.

Short- to long-term climate change risks, responses, and opportunities
https://www.gunze.co.jp/english/sustainability/environment/climate_change/

Gunze's roadmap to achieving carbon neutrality



(4) Indicators and targets

To steadily reduce CO_2 emissions in line with our targets, we are strengthening initiatives across our business activities, including energy conservation, energy generation, and the use of renewable energy, while also advancing resource circulation and measures to reduce environmental impact. Based on the Basic Policy for Plastic Resource Circulation established in 2019, we are actively promoting the 3Rs + Renewable, developing new resource recycling technologies, and expanding their application to apparel and all other business segments. As another key Group initiative, we are strongly promoting the Circular Factory Plan, which aims to establish resource circulation in the plastic films field. In connection with financing through a green loan, the Circular Factory Plan received the highest rating of Green 1 (F) from Japan Credit Rating Agency, Ltd. (JCR) for its conformity with the Green Bond and Loan Principles and Guidelines. At the time the rating was obtained, the Circular Factory Project under this framework was the first initiative in Japan to receive an assessment covering an entire resource-circulating factory initiative.
The funds raised through the green loan have also been used for initiatives to reduce CO_2 emissions, in addition to the Circular Factory Project. These include the construction of the office building at the Konan Plant in Aichi Prefecture, completed in February 2023, which received a five-star BELS*3 rating and ZEB*4 certification.

*3 BELS: Building-Housing Energy-efficiency Labeling System. A system that objectively evaluates the energy efficiency of buildings and displays the results using a five-star rating scale.
*4 ZEB: Net Zero Energy Building. A building designed to achieve a net-zero balance in primary energy consumption.