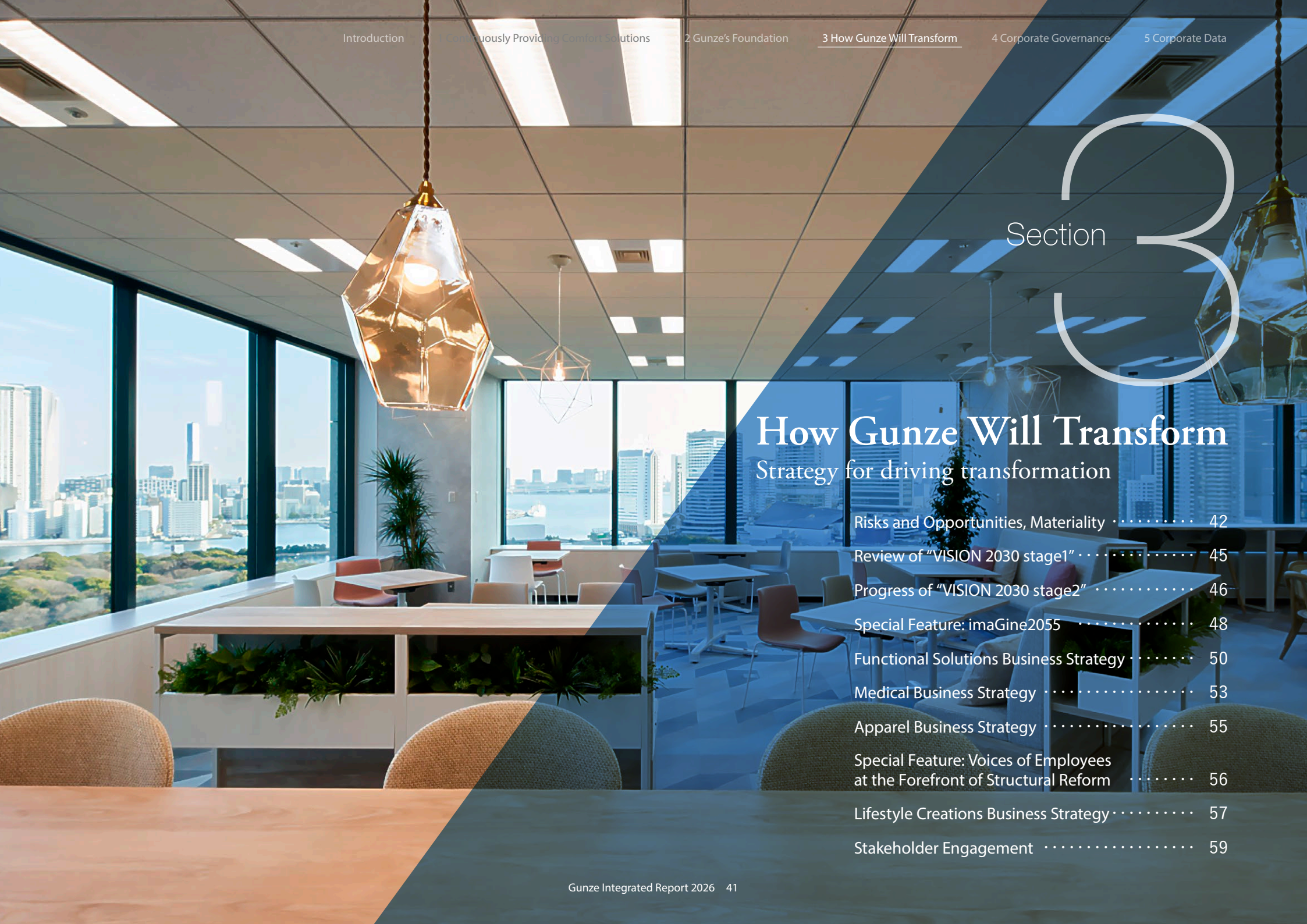


Section 3

How Gunze Will Transform

Strategy for driving transformation

Risks and Opportunities, Materiality ····· 42

Review of "VISION 2030 stage1" ····· 45

Progress of "VISION 2030 stage2" ····· 46

Special Feature: imaGine2055 ····· 48

Functional Solutions Business Strategy ····· 50

Medical Business Strategy ····· 53

Apparel Business Strategy ····· 55

Special Feature: Voices of Employees at the Forefront of Structural Reform ····· 56

Lifestyle Creations Business Strategy ····· 57

Stakeholder Engagement ····· 59

Risks and Opportunities, Materiality

To sustainably enhance corporate value, the Gunze Group identifies materiality in light of the rapidly changing business environment, sets KPIs for each material issue, and implements specific initiatives. Building on the achievements, challenges, and insights gained during stage1, in stage2 we will further advance these initiatives and enhance their effectiveness, with the aim of creating corporate value on a sustainable basis.

Social Changes	• **Changes in the market environment surrounding the Gunze Group** • **Country risk in nations where Gunze operates** • **Large-scale natural disasters and pandemics**	• **More stringent legal and social rules** • **Contraction of domestic labor markets and increased awareness of human rights** • **Rapid advances in AI / Progress in digitalization**	• **Growing severity of global environmental problems**	• **Growing international awareness of marine plastic pollution** • **Changes in the market environment**
Risks	• Decline in profitability due to the emergence of non-profit yielding business divisions • Obsolescence of technologies/services due to decreased competitiveness • Contraction of the domestic market resulting from population decline • Delays or failure to achieve reforms in low-ROIC businesses • Business models becoming unsustainable due to changes in lifestyles • Difficulty maintaining business operations due to sudden changes in political and economic conditions • Declining profitability of overseas production • Damage to production and logistics bases and commercial facilities caused by natural disasters • Difficulty procuring raw materials due to supply chain disruptions • Business disruption caused by pandemics resulting from infectious diseases	• Loss of brand value due to various legal actions • Revision of products and services due to changes in quality standards • Suspension of business activities due to legal violations • Difficulty securing human resources due to a shrinking working-age population • Lack of flexible thinking due to a rigid workforce composition • Shortage of human resources with diverse backgrounds • Risk of human rights violations due to insufficient due diligence • Acceptance and spread of misinformation • Leakage of critical information due to cyberattacks and other threats	• Higher raw material and energy costs • Tightening of laws and regulations, such as the introduction of a carbon tax • Accelerating climate change • Environmental pollution caused by owned properties, wastewater discharges, and chemical substances	• Stronger regulations regarding disposable plastics • Lower sales due to the spread of products made from plastic alternatives • Decline in corporate value due to falling share prices • Changes in market trends and consumer preferences • Fluctuations in foreign exchange rates

Risks and Opportunities, Materiality

Opportunities	Measures to address high social issues created through diverse business development	Creating opportunities to raise awareness of our diverse businesses (Redefine Gunze beyond its image as an "underwear company")	Business expansion that contributes to improving quality of life	Human capital management that embodies a people-oriented approach	Growing demand for healthcare driven by an aging population	Expansion of circular economy-driven business models
Materiality	Creation of New Value	Evolution of Corporate Constitution		Environmentally Responsible Management		Capital Cost-focused Management
Gunze Group Targets	**Medium term** • Creation of new businesses and continued growth of existing businesses (including M&A) **Short term** • Offering new products/services designed with enhanced sustainability in mind	**Long term** • Establishing a corporate culture that empowers diverse talent **Medium term** • Promoting employee mindset/duties transformations through work style reforms **Medium term** • Transforming business processes through proactive use of AI (production, sales, development, logistics, indirect operations, and all other areas)		**Long term** • Reducing environmental impact from business activities		**Medium term** • Strategic allocation of management resources **Medium term** • Achieving a positive GVA value by improving capital efficiency
Initiatives and Results in the First Year of stage2	• **Striving to become a global solutions company** FY2025 results: Overseas sales of ¥27.5 billion (overseas sales ratio: 21%) • **Innovations by groups of technical experts** Created new products and services by further refining differentiated technologies	• **Increase of the ratio of women in managerial roles to 14% or higher (FY2027)** FY2025 result: 13.1% • **Maintenance of a 50% ratio of women hired** FY2025 result: 45% • **Establishment of support services for childcare and nursing care** FY2025 paternity leave utilization rate: 86% • **Improvement of productivity and business performance through improved engagement** Average engagement score: 61 points		• **Completion of resource-recycling technologies** Achieved zero waste at the Moriyama Plant in FY2025 and promoted rollout to other production sites • **Scope 1 + Scope 2: Reduction of 35% or higher (FY2030)** FY2025 reduction rate: 42.7% (vs. FY2013)		• **Achievement of an ROE of 10.0% or higher and operating profit ¥16.0 billion (FY2030)** Aim to achieve ROE of 8.0% or higher and operating profit of ¥12.5 billion in FY2027 through structural reforms during the three-year period for transforming the Company. • **Maintenance of a high PBR**

Risks and Opportunities, Materiality

Initiatives and Results in the First Year of stage2

Creation of New Value

- **Expansion of business domains through M&A**
  Exploring potential partners
- **Expansion of the engineering plastics field into new areas**
  Launched environmentally friendly films
- **Evolution of apparel products through the use of new technologies**
  Enhancing ASEDORON functionality
- **Expanding environmentally friendly products**
  Launched environmentally friendly films
- **Accelerating global expansion of the Medical Business**
- **Promoting open innovation through industry-academia and external collaboration**

Evolution of Corporate Constitution

- **Acquisition of diverse talent to implement the Group's strategies**
  Ratio of mid-career hires among regular employees: 33%
- **Increase of corporate brand awareness**
  FY2025 result: Brand awareness rate of 70%
- **Coexistence and mutual prosperity with suppliers**
- **Transactions based on human rights and biodiversity**
  Implemented human rights due diligence (▶P.35)
- **Improvement of productivity and expansion of the product range at overseas plants**
  Expanded production of high-value-added products at innerwear plants in Thailand and Vietnam
- **Ability to customize production to meet local characteristics and needs**
  Expanded production in China and ASEAN by further developing demand for sewing thread for apparel and industrial materials
- **Creation of a system that allows people from any country to work with peace of mind**
  Preparation of work rules and other manuals in multiple languages
  Preparation of video-based work manuals for manufacturing sites
- **Improvement of productivity through the pursuit of automation, digital and AI technologies**
  Improved productivity through the installation of automated lines at each plant

Environmentally Responsible Management

- **Reduction of Scope 3 emissions throughout the supply chain**
  FY2025 result: 382,151 t-CO_2
- **Achievement of zero plastic waste emissions at all plastic plants**
  Achieved zero waste at the Moriyama Plant
- **Reduction of per-unit energy consumption**
  FY2025 result: 104.2% year on year
- **Conservation of water resources and strengthening of wastewater management**
- **Enhancement of disclosure reliability through third-party verification of CO_2 emissions**
  Obtained third-party verification
- **Response to biodiversity (promotion of TNFD-aligned initiatives)**
- **Increase in the renewable energy ratio**
  Installation of solar panels (Building No. 7 at the Konan Plant; Medical Office and No. 3 Plant)

Capital Cost-focused Management

- **Establishment of an internal profit improvement structure**
  Apparel business structural reform (▶PP.55,56)
  Build-Up Project (establishing a lean organizational structure that continuously pursues higher profitability and building a framework that prevents backsliding)
- **Strengthening cash flow generation and allocating cash to growth investments**
- **Enhancing shareholder returns**

Value Created

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 (promoting resource conservation, the use of recycled materials, and reduced environmental impact)
- Establishing a model that balances reduced environmental impact with business growth (turning environmental initiatives from a cost into a source of competitiveness)

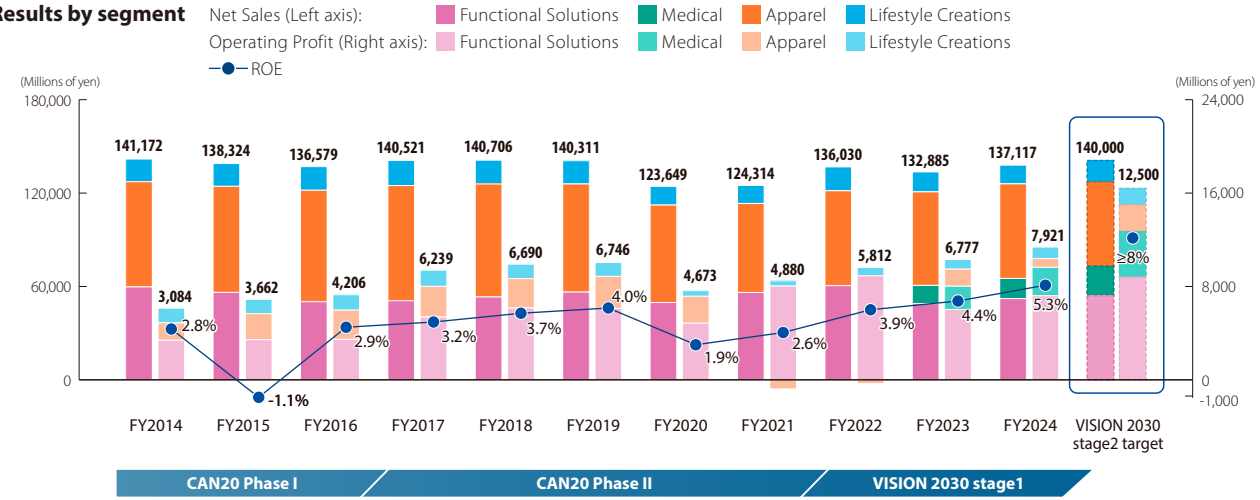
Economic Value

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

Review of "VISION 2030 stage1"

Medium-term Management Plan Performance Trends

Results by segment



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

Achievements and Challenges

	VISION 2030 stage1
Strategy	(1) Creation of new value: Creation of new businesses and growing existing businesses (including M&A), Offering new products/services designed with enhanced sustainability in mind (2) Evolution of corporate constitution: Creating a corporate culture supporting diverse talent to attain fulfillment from work, Promoting employee mindset/duties transformations through work style reforms, Transforming business processes through the proactive use of digital technology (3) Environmentally responsible management: Reducing negative environmental impact through business activities (4) Capital cost-focused management: Strategic allocation of management resources, Achieving a positive GVA value by improving capital efficiency
Achievements	(1) Plastic film: Promotion of the Circular Factory Project (2) Engineering plastics: Expansion of growth investments in the construction of new plants (3) Medical: Launch of new products and construction of new plants (4) Structural reforms: Transfer of the electronic components business, closure of overseas plants and reduction of logistics facilities in the apparel business, and sale and closure of unprofitable sports clubs
Challenges	(1) Business growth and expansion into new areas: Develop new business, Implement M&A (2) Enhancement of human capital management: Improve employee engagement, Female employees in leadership positions (3) Reduction of environmental impact: Reducing CO_2 emissions and enhancing resource recycling initiatives (4) Structural reforms in divisions with a negative GVA: Structural reforms in the apparel and lifestyle creations businesses, and a business transfer in the mechatronics field

Performance Grading

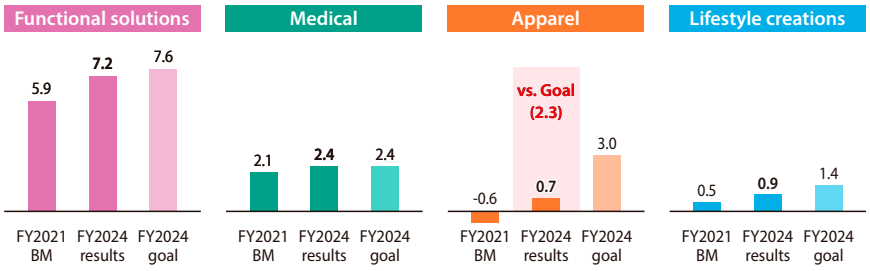
Financial indicators

Category	stage1 targets	FY2024 results	Evaluation
Net sales	¥140 billion	¥137.1 billion	△
Operating income	¥10.0 billion	¥7.9 billion	×
ROE	6.3% or higher	5.3%	×
Consolidated GVA	Overall GVA in positive territory	-¥0.9 billion	×

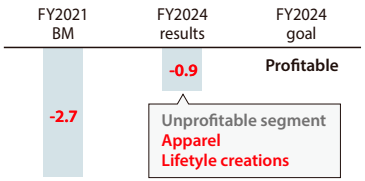
Non-financial goals

Category	Target indicators		stage1 targets	FY2024 results	Evaluation
Environmental responsiveness	CO_2 emissions reduction rate (Japan + overseas) Scope 1 + 2 (Gunze Group total)		28% or higher	37%	○
	Per-unit energy consumption reduction rate (vs. previous year)		1%/year or higher	-0.2%	△
Evolution of corporate constitution	Promotion of women's empowerment	Ratio of women in managerial roles	6% or higher	6%	○
		Ratio of female employees in the workforce	35%	35%	○
		Ratio of women hired on a main career track	50%	52%	○
	Parenting support	Men's paternity leave utilization rate	50%	78%	○
	Corporate culture creation	Engagement score	70pt. (estimate)	62pt.	×
	Work style reforms	Annual paid leave utilization rate	75%	73%	△
Others	Productivity improvement rate (P value): Gunze's own productivity metric over the previous year		103%	103%	○

Each segment: Operating profit (¥ billions)



Consolidated GVA* (¥ billions)

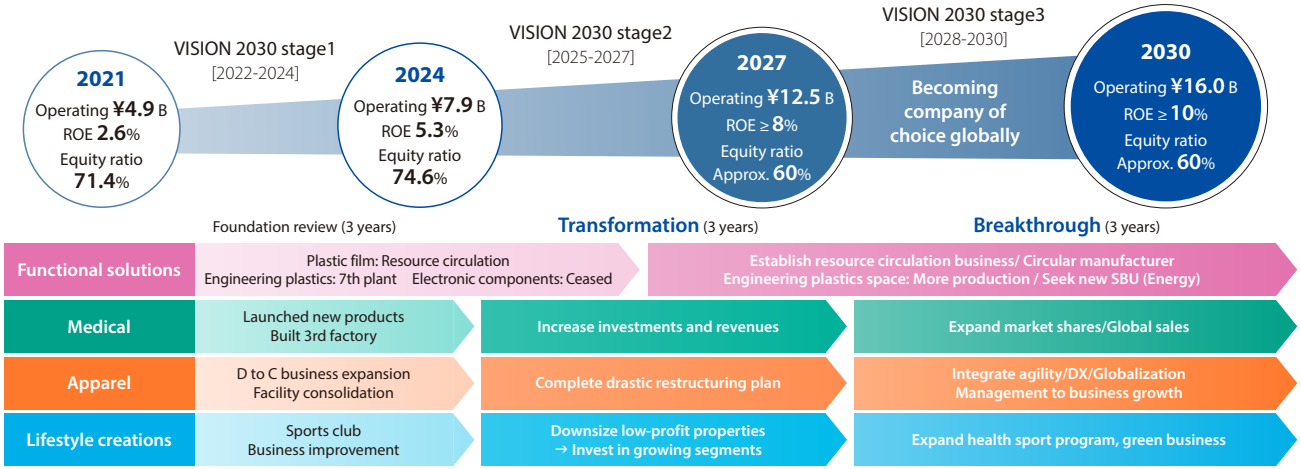


* Gunze Value Added : Gunze's original indicator = (Net operating profit after tax + dividend income - invested capital × WACC)

Progress of "VISION 2030 stage2"

Under VISION 2030 stage2, based on the core concept of "Building a Sustainable Business Foundation to Remain Globally Competitive," we will contribute to the realization of a sustainable society by developing a more robust business structure and continually refining the technologies and services that keep us the preferred choice of our customers.

Roadmap to 2030



Strategy and Company-Wide Key Measures

Enhancing/ Expanding	Functional solutions	Enhancing plastic films, engineering plastics business
	Medical	Expanding market shares, developing new markets to support global growth
Restructuring	Apparel	Transforming into "Strong Business" to survive environment changes
	Lifestyle creations	Drastic improvement of low-profit business and properties

Company-wide key measures		
Financial strategy		Implement capital policies and initiatives to improve PER in tandem with business restructuring to enhance corporate value
R&D, M&A and creation of new businesses		Implement initiatives to create new value, drive business growth, and expand into new domains
Global expansion and development of technology		Promote global expansion and strengthen differentiated technologies, automation technologies, and digital and AI technologies
Sustainability management	(Human capital management)	Develop talent and cultivate an organizational culture capable of executing management strategies that sustainably enhance corporate value and competitiveness
	(Reduction of environmental impact)	Reduce the environmental impact of business activities and promote the development and advancement of technologies that contribute to environmental solutions

FY2025 Progress

VISION 2030 stage2, covering the three years from FY2025 to FY2027, is positioned as a three-year period for transforming Gunze into a company capable of sustainable growth. During this period, we are pursuing the growth of core businesses, uncompromising structural reforms, and improved capital efficiency.

In FY2025, the first year of stage2, we prioritized investments in growth businesses and structural reforms. In addition to strengthening production and development foundations in the medical business and engineering plastics business, we advanced structural reforms in the apparel business and initiatives to improve capital efficiency in the lifestyle creations business, laying the groundwork for transforming Gunze into a company capable of sustainable growth.

At the same time, business conditions changed, with sluggish conditions in the Chinese market and prolonged inventory adjustments in the semiconductor market. These developments highlighted challenges going forward, such as generating returns from growth investments and realizing the benefits of structural reforms more quickly. Going forward, we will accelerate initiatives to achieve the Medium-term Management Plan by expanding growth businesses, advancing business portfolio reforms, and globally expanding our resource-recycling model.

Key KPIs

		FY2025 results	FY2027 targets
Financial indicators	Operating profit	¥4.8 billion	¥12.5 billion
	ROE	0.4%	8.0% or more
	ROIC	2.7%	6.6% or more
Non-financial indicators	Ratio of women in managerial roles	13.1%	14% or more
	CO_2 emissions reduction rate	42.7%	31% or more

Progress of "VISION 2030 stage2"

Enhancing/Expanding

Functional Solutions Business

▶P.50

Achievements

- Advanced initiatives toward becoming a circular manufacturer
- Strengthened production and development foundations to expand growth areas

Challenges going forward

- Accelerate global expansion of the resource-recycling model

Medical Business

▶P.53

Achievements

- Expanded sales of absorbable products in Japan
- Advanced investment to grow into a global medical device company

Challenges going forward

- Strengthen profitability by accelerating the global expansion of absorbable products

Restructuring

Apparel Business

▶P.55

Achievements

- Concentrated on priority brands based on the focused specialization strategy
- Advanced value chain reforms, including plant consolidation and logistics restructuring, as well as inventory reductions

Challenges going forward

- Improve profitability by realizing the benefits of structural reforms and establish a growth strategy

Lifestyle Creations Business

▶P.57

Achievements

- Strengthened property management with a focus on investment efficiency
- Improved profitability of commercial facilities and sports clubs

Challenges going forward

- Reform the business portfolio by shifting toward growth businesses

Progress on Company-wide Key Measures

Under our financial strategy, we will pursue management based on the cost of capital, using divisional WACC, Gunze Value Added (GVA), our proprietary indicator of capital efficiency, and the ROIC tree to improve returns on capital. We will continue investing in businesses that drive growth while steadily advancing structural reforms in low-profit businesses. We also aim to enhance corporate value and improve PBR through shareholder returns based on a total return ratio of more than 100%, enhanced IR activities, and improved stock liquidity.

Under R&D, M&A and the creation of new businesses, in addition to customer-needs-driven development within business divisions, we will promote company-wide R&D led by corporate functions. We will strengthen collaboration with external companies and academia to create differentiated technologies and develop new high-value-added product lines leveraging advanced technologies. For M&A, we will focus on the medical and resource-recycling fields to expand our businesses and create new growth opportunities. In creating new businesses, we will also work to develop future growth drivers by leveraging technologies and know-how cultivated in existing businesses.

Under global expansion and development of technology, in anticipation of a shrinking domestic market, we will expand our business in overseas markets. Rather than competing on scale, we will identify areas where we can leverage our proprietary technologies and strengths to establish competitive advantages through differentiation. We will develop businesses tailored to the characteristics of each region and market while concentrating management resources in growth areas, thereby building a business foundation that enables us to establish a strong presence in global markets.

In addition to further advancing the proprietary technologies cultivated in each business, we will promote automation and the use of DX/AI to improve productivity and strengthen competitiveness.

Under sustainability management, we will advance both human capital management and efforts to reduce environmental impact.

In human capital management, through personnel system reforms, human resource development, and DE&I initiatives, we will cultivate the talent and organizational culture needed to execute our strategies, strengthening the management foundation that supports sustainable enhancement of corporate value. On the environmental front, we will promote resource recycling centered on the Circular Factory plan while expanding the use of renewable energy and reducing CO_2 emissions.

imaGine2055

FUTURE CREATION PROJECT

Gunze's Challenge Toward 2055

From October 2024 to November 2025, Gunze carried out imaGine2055, a future creation project looking 30 years ahead to 2055. Over the course of more than a year, employees who will lead the next generation took a central role in discussing the recognition of current issues, turning points toward the future, and the Vision for 2055, deepening discussions on value creation from a long-term perspective.

The project aims to envision the future of the Gunze Group, foster a sense of ownership among employees in proactively creating corporate value, create opportunities for participation in management toward the formulation of a post-VISION 2030 strategy, and redefine the kind of human resources as well as the essence of products and technologies that should be carried forward into the future. In addition, Gunze worked to build networks across divisions to create new value and maximize synergies across businesses. Participants reconsidered the values and sources of competitiveness that Gunze has cultivated over many years as matters directly relevant to themselves and shared a common direction toward 2055. Dialogue and co-creation across divisions were promoted, fostering greater awareness of what Gunze should aspire to become. Through these discussions, five strategic areas were identified for realizing the future state Gunze aims to achieve: in technology, marketing, human resources, challenge, and inclusion.

1 Technology for Creating the Future

2 Marketing to Envision the Future

3 Human Resource Strategy for Nurturing the Future

4 Challenges that Carry into the Future

5 Inclusion to Open Up the Future

Discussions on Implementing the Future State Gunze Aims to Achieve

1 Technology for Creating the Future

Current situation and issues

While each business division is achieving results independently, cross-divisional use of technologies has yet to take root at the front lines. In addition, many work processes remain confined within individual business divisions, limiting collaboration across divisions.

Initiatives toward technology integration

Promote frontline-led technical collaboration across business divisions and encourage natural exchanges of technologies among employees. Gunze will also develop and assign specialists who understand technologies across all businesses and can connect frontline needs with relevant technologies, while establishing regular technology subcommittees to enable open discussion and information sharing across divisions.

Future vision

Aim to become an organization that creates new value through the natural interaction of technologies in the Functional Solutions, Medical, and Apparel businesses, as a company that generates innovation through technology integration.

2 Marketing to Envision the Future

Current situation and issues

Each business division develops its brands independently, resulting in a lack of a company-wide brand strategy. Key challenges are strengthening coordination between the corporate brand and business brands and integrating marketing functions.

Integrated brand strategy initiatives

Establish an integrated cross-divisional marketing organization and execute a consistent strategy from branding through communication by integrating technology and marketing. Through functional branding, directly link technological advantages with customer benefits to address customers' latent needs and concerns.

Future vision

Starting with a company-wide marketing subcommittee, Gunze will build the foundation for its brand strategy by accumulating successful experiences through collaboration with the technology subcommittee.

3 Human Resource Strategy for Nurturing the Future

Current situation and issues

Because Gunze operates multiple businesses, its positioning within individual industries can be difficult to define, while mechanisms for sharing individual skills and know-how throughout the organization remain insufficient. Moving away from an inward-looking organizational structure that relies heavily on individuals is an urgent priority.

Human resource strategy initiatives

Encourage active participation in external study sessions and greater interaction with other industries to gain outside perspectives. Gunze will also scientifically analyze and articulate successful cases and establish mechanisms for accumulating individual strengths as organizational capabilities. In addition, the Company will reform its human resource development systems and provide opportunities for diverse experiences.

Initiatives for transformation

Gunze regards developing human resources who can apply the capabilities they have cultivated at Gunze even outside the Company as a source of value. Through investment in human resources, the Company will build a human resource foundation that supports both individual growth and the sustainable development of the organization.

4 Challenges that Carry into the Future

Current situation and issues

An evaluation system that emphasizes short-term results is hindering long-term challenges. Barriers include pressure to achieve short-term targets, decisions to withdraw from new businesses at an early stage, and an organizational atmosphere in which employees feel that taking on challenges will not be rewarded.

Long-term organizational culture and system design

Promote both the development of an organizational culture that supports continuous challenges and the design of systems based on a long-term perspective. Gunze will shift to an evaluation system premised on the long-term continuation of challenge projects and clearly distinguish between existing businesses, which emphasize short-term results, and new challenges, which require a long-term perspective. For new businesses, evaluation periods will be set at five to ten years, with dedicated budgets and personnel allocations. By introducing a new system that treats failure as a learning opportunity, Gunze will support individuals' convictions and enthusiasm as an organization and foster a culture that values perseverance.

Future vision

Through continuous innovation and the proactive creation of new businesses, Gunze aims to foster a corporate culture in which Challenge could become part of its corporate motto.

5 Inclusion to Open Up the Future

Current situation and issues

The term "advancement of women" has led to misunderstandings, including the misperception that it constitutes reverse discrimination, which in turn has generated resistance. There is an urgent need to create a level playing field where everyone can thrive regardless of gender.

Initiatives toward becoming a truly inclusive company

Implement merit-based personnel practices regardless of gender, nationality, or age, and create a fair competitive environment. Gunze will harness the creativity generated by the interaction of different ideas and perspectives within multigenerational and multinational teams as a source of innovation. The Company will also establish systems for passing the passion and know-how of experienced employees on to the next generation.

Achieving global standards

Aim to create an environment where the term "advancement of women" is no longer necessary because everyone can thrive as a matter of course, and establish a culture that embraces diversity. Gunze will move away from a male-dominated culture traditionally seen in Japan and enhance its international competitiveness.

**The five strategic areas identified through this project will work in concert with one another to form the foundation supporting Gunze's sustainable growth.
By driving transformation that begins with voices from the front lines,
Gunze will steadily move toward its 2055 aspiration of becoming Gunze recognized around the world.**

Functional Solutions Business Strategy

Enhancing Market Presence in Growth Markets through Global Expansion and Differentiated Technologies

In the plastic films business, we are pursuing a global growth strategy centered on our multilayer extrusion and stretching technology, expanding sales of environmentally friendly products and high-value-added packaging films. Through a resource-recycling model centered on the Circular Factory™, we aim to balance social and economic value, leading to sustainable growth and higher profitability. In the engineering plastics business, we are expanding our share of products for the OA market through product development that turns user needs into tangible solutions, while also broadening our offerings for growth markets such as semiconductors, healthcare and medical, and general industry. By expanding high-performance, high-value-added products, we will accelerate business growth in these growth areas.

FY2025 Business Overview

Plastic films business

In Japan, sales exceeded the previous year's level despite the impact of product price increases, as we expanded sales channels for environmentally friendly products in our mainstay shrink film category. In nylon films, sales of core products and exports struggled, but expanded sales channels for general-purpose nylon films kept overall sales roughly level with the previous year. Industrial products also performed steadily, particularly semiconductor-related products. Overseas, we faced downward pressure on prices due to the inflow of Chinese-made raw materials and sluggish demand. Nevertheless, by expanding sales of environmentally friendly and high-value-added products, we are continuing to shift toward a business structure that does not depend on price competition.

Engineering plastics business

Products for the OA market were affected by sluggish consumer demand in China, but components for multifunction office printers and commercial printers, areas in which we have strengths, performed steadily. Non-OA products were affected by prolonged inventory adjustments in the semiconductor market, while products for healthcare and medical applications and general industrial applications remained resilient. Looking ahead to a recovery in semiconductor demand driven in part by the expanding generative AI market, we will expand our business in growth areas by increasing sales of high-performance products.

Initiatives for VISION 2030 stage2

Plastic films business

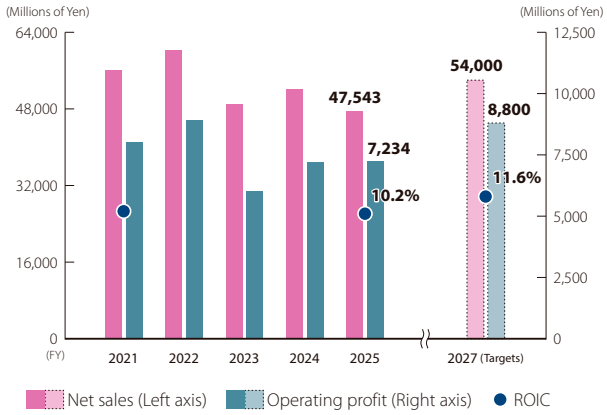
The conflict in the Middle East has raised concerns over shortages and sharp price increases for naphtha (crude gasoline). Because Gunze's plastic films business operates by processing materials refined from naphtha, it too has been caught up in this rapidly changing environment.

Geopolitical risks of this kind are unpredictable and cannot be avoided by the efforts of a single company. We believe one way to mitigate them is to offer unique products that combine environmental performance, functionality, cost competitiveness, and thin-film technology. In particular, thin-film technology, a core technology of the plastic films business, uses multilayering of dissimilar materials to reduce plastic usage while maintaining functions such as strength and ease of application, providing a powerful means of controlling costs. In other words, we believe innovation that simultaneously reduces environmental impact and strengthens cost competitiveness is the key to thriving in an uncertain era, and we view the VISION 2030 stage2 period as a time to pursue these priorities.

Specifically, we will promote market penetration of the GEOPLAS® HCR type, an environmentally friendly product made possible by resource recycling at the Circular Factory™, while further reducing the burden on production-site workers through automation, reduced staffing, and labor saving by making full use of the latest manufacturing equipment. The GEOPLAS® HCR type contains recycled material produced through label-to-label horizontal recycling* while providing shrink performance equivalent to conventional products. It meets market needs for environmentally responsible solutions at practical prices. Promoting automation and reduced

* Horizontal recycling: Reusing used materials to make the same product.

Functional solutions business net sales/Operating profit



* Until FY2022, the Functional Solutions segment included the Medical segment.

Functional Solutions Business Strategy

staffing at production sites will do more than reduce workloads: it will raise production efficiency and establish a stable quality control system that does not depend on highly skilled workers, helping address the labor shortages expected to become more severe in the years ahead.
At the same time, the Moriyama Plant will formulate a redevelopment plan while advancing recycling technologies at the heart of resource recycling and developing a model for recovering materials for recycling. Through this redevelopment, the Moriyama Plant will evolve into a facility that implements recycling technologies ahead of competitors, while aiming to become a hub for a resource-recycling network that involves partner companies.
We will also enhance the competitiveness of existing general-purpose products while lowering costs through resource recycling.

GEOPLAS® HCR type

Automated packaging equipment

Specifically, by advancing PIR* technology and reducing our dependence on virgin materials, we will strengthen the business structure to generate stable profits that are less susceptible to fluctuations in naphtha prices. In the United States, we will localize production of new products by leveraging expertise developed in our domestic business, with the aim of cultivating next-generation core products. This will enable us to meet rapidly growing demand for mono-material solutions in the North American market and reinforce our competitive advantage. In Vietnam, we will review conventional raw-material procurement routes and shift toward global sourcing, thereby reducing geopolitical risks and costs.
By implementing these measures and globally expanding a resource-recycling model that balances social and economic value, we will work during VISION 2030 stage2 to build an even stronger and more profitable business foundation, with the aim of further enhancing corporate value over the medium to long term.

* PIR: Recovery and recycling of waste generated during the production process

Topics

From Circular Factory™ to Circular Manufacturer

Since the Circular Factory™ at the Moriyama Plant was completed in April 2023, a total of approximately 3,000 customers, manufacturers (brands), representatives of government agencies, and students have toured the facility over the past three years. As a result, we have seen growing recognition among customers and in recruitment activities that Gunze is a company helping to build an environmentally responsible circular society. Within the organization as well, the vision has become more deeply embedded, accompanied by higher engagement and loyalty. During this period, we have also advanced technologies for de-inking printed labels (removing ink) and delaminating multilayer films made from dissimilar materials, making further progress toward Gunze's goal of balancing social and economic value. In March 2026, the Moriyama Plant also achieved "zero waste." We believe the progress made over these three years has exceeded our initial expectations.
These resource-recycling initiatives, however, are only a milestone along the way. Recycled materials produced by Gunze remain more expensive than virgin materials. We will therefore continue to refine recycling technologies to reduce costs while further expanding environmentally friendly products designed for horizontal recycling. We will also establish commercial channels for PIR and further develop these business models by rolling them out across three sites in Japan and three overseas. Through these efforts, we aim to become a "circular manufacturer" and a leader in environmental solutions. By pioneering one-of-a-kind business domains ahead of other companies, we will also take on the challenge of "creating new social infrastructure through resource recycling."

Circular Factory™ at the Moriyama Plant

Circular Factory™ is a registered trademark of GUNZE LIMITED.

Functional Solutions Business Strategy

Engineering plastics business

The vision of the Engineering Plastics Division is "Contributing to a better environment and comfortable living through the integration of unique technologies." With highly distinctive processing technologies and the ability to respond flexibly to individual customer requirements as our strengths, we aim for sustainable growth by creating high-value-added products. We place particular emphasis on dialogue with customers, accurately identifying latent issues and needs and providing optimal solutions through close collaboration among sales, development, and production, thereby maximizing customer value and strengthening our competitive advantage. To realize the Medium-term Management Plan VISION 2030, we are building a robust business portfolio by achieving balanced growth across five business categories: Medical, Industrial, Semiconductor, Printing, and Energy. By reducing dependence on any single market and establishing a diversified business base, we are strengthening our management foundation so that we can respond flexibly to economic cycles and changes in market conditions. In particular, we have designated the medical and semiconductor fields, where market expansion is expected, as priority growth areas, and are actively expanding production capacity and developing high-performance products. In the medical field, against the backdrop of growing global healthcare demand, we are strengthening our stable supply system and upgrading our quality assurance framework to expand a sustainable earnings base. In semiconductors, medium- to long-term market growth is expected as data center investment expands with the spread of generative AI and cloud services. We are enhancing our ability to meet market needs by providing high-quality products reliably, while shifting toward higher-value-added products to improve profitability.

In the environmental and energy field, we are accelerating the early establishment of production technologies and the development of mass-production systems to create new products that help reduce environmental impact. By nurturing this field into a next-generation growth driver, we aim to contribute to a sustainable society while further strengthening our business foundation.

Toward 2030, we will create a virtuous cycle of growth by "deepening our core technologies as fundamental enablers of a sustainable society" and "transforming into a balanced business portfolio," while working to sustainably enhance corporate value.

Topics

Expansion of Clean Plant to Meet Growing Demand

In April 2025, we expanded the clean plant to meet growing demand in the medical and semiconductor fields. By operating the new extension as an integrated part of the existing clean plant, we have improved production efficiency and supply capacity, while strengthening our system for the stable supply of high-quality, highly reliable products by leveraging our proprietary processing technologies and integrated production system in a clean environment.

Looking ahead to medium- to long-term demand growth, we are also investing in automation, particularly for processes that depend heavily on human labor. We are enhancing inspection processes using image-processing technologies and introducing automated transport systems to reduce staffing requirements and improve efficiency. This enables us to improve quality and expand production capacity at the same time, while building a highly competitive production platform. These initiatives are improving productivity and strengthening our stable supply system, enhancing our ability to meet customer needs in growth markets and reinforcing our earnings base.

The extension also incorporates a highly insulated building envelope, LED lighting, high-efficiency air-conditioning equipment, and a solar power generation system, reducing environmental impact and improving energy efficiency. The facility has obtained CASBEE (Comprehensive Assessment System for Built Environment Efficiency) B+ certification and a five-star BELS rating, demonstrating a high level of environmental performance. In this way, we are pursuing both business growth and greater environmental value.

Expanded clean plant (Konan Plant)

Automated inspection line (Konan Plant)

Medical Business Strategy

Driving Steady Sales Growth through In-House Products and Evolving into a Global Medical Device Company

The medical business has expanded its scope by combining in-house products with products sourced from external partners, building on a foundation of R&D, manufacturing and sales of medical devices that leverage our bioabsorbable polymer technologies. Going forward, we will shift toward a business portfolio centered on in-house products that can generate stable earnings, while expanding sales in overseas markets outside China and scaling back low-margin externally sourced products. Through these measures, we aim to improve profitability and drive profit growth.

FY2025 Business Overview

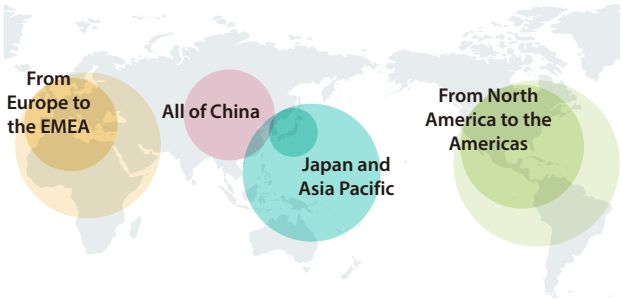
In FY2025, net sales increased as we expanded sales of absorbable products in Japan, including adhesion barriers. Operating profit declined, however, as sales in China were affected by policies to contain medical costs and restrictions on purchases of Japanese products. In Japan, results were also impacted by inventory valuation losses associated with the scaling back of the medical laser business, as well as higher fixed costs associated with capital investment and increased staffing. Against this backdrop, we are reviewing our business portfolio to improve profitability.

Initiatives for VISION 2030 stage2

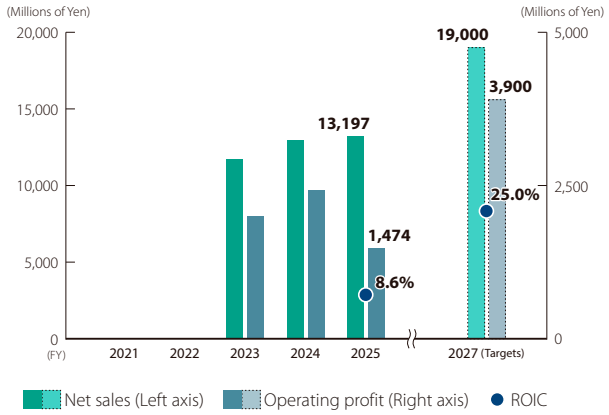
Gunze's global expansion in the medical field began in the 1990s with the supply of absorbable suture material to Germany. A major step forward came in the 2010s, when we began exporting finished products to China and intermediate materials to the United States. Today, during VISION 2030 stage2, our products are exported to 31 countries worldwide. We believe this growth has been made possible by the strong global recognition of Gunze's bioabsorbable material technologies, the support of locally rooted partners, and the pioneering spirit of our people, who have worked with those partners to build markets—along with a measure of good fortune. At the same time, we have introduced outstanding technologies and innovative products from around the world to medical practice in Japan. Rather than simply importing overseas products, we have carefully identified the needs of Japanese healthcare professionals and patients and tailored what we offer accordingly, creating new value in the process. We believe this has also contributed to Gunze's growth to date.

As our next challenge, with an eye on stage3 and beyond, we will bring our in-house products to every country and region where they are needed and develop them into truly global products. Across five regions—Japan, China, the Americas, EMEA and APAC—we will focus on opening new markets, broadening recognition of the value we provide, and co-creating new value. As markets become more dynamic and complex, we must understand the distinct needs of each region. It is essential to gain a deep understanding of each country's culture, communicate the value of our technologies effectively, and further enhance that value.

We will continue to draw on the pioneering spirit passed down by our predecessors, engage sincerely with the diverse needs of markets around the world, and provide innovative technologies and value. Together with our colleagues and partners in Japan and across the globe, we will pursue mutual growth and prosperity on a global scale.



Medical business net sales/Operating profit



* The medical business, which was included in the Functional Solutions segment, has been classified separately as the Medical segment since FY2023.

Supporting the Medical Business through Global Operations and Technology

Europe, Middle East and Africa

Dahi Jung
GUNZE International Europe GmbH

Since joining Gunze in 2018, I have been involved in distributor management and market development in South Korea and Southeast Asia. I am now based in Germany, where I am responsible for developing the European market.

Across the EU's 27 member states, healthcare systems and business practices vary from country to country. Simply supplying products is not enough to expand the market; strategies tailored to the characteristics of each country are essential.

In a highly competitive market where differentiation is essential, we are strengthening collaboration with local distributors and KOLs (key opinion leaders) in each country. Our goal is not simply to "sell" products, but to create markets in which those products can succeed. By continuing to tailor our efforts to the characteristics of each country, we aim to further expand our presence in Europe and drive business growth.

China

Fuji
Gunze Medical Devices
(Shenzhen) Limited

When I joined the company, I had very little medical knowledge. I still vividly remember how moved I was when I first learned that bioabsorbable polymer devices were helping treat patients. Since then, I have listened closely to firsthand feedback from customers in the field. The insights and understanding of customer challenges I gained through those experiences are now invaluable in my current marketing role.

Drawing on the experience I have built over the years, I am working to establish a marketing framework that accurately captures the rapidly changing needs of the Chinese market and connects those insights to the development of next-generation products.

The future may be difficult to predict, but Gunze's mission remains to consistently provide outstanding products and value. Keeping pace with the fast-moving local market, we will address each challenge steadily and work together as a team to pursue further growth in China.

Development & Research

Sena Ryuzono
Manager, Development & Research
Department, Gunze Medical Limited

I am currently responsible for developing medical devices (non-bioabsorbable devices) in the Development & Research Department of Gunze Medical Limited. While our experience in the in-house development of such devices is still limited, we are working every day as a team at the Ayabe Interactive Center (AIC) to bring patients, as quickly as possible, products that can create synergies with Gunze's established biomaterial portfolio.

Completed in 2025, the AIC is a new R&D hub where members of the Development & Research Department and a range of other departments work together on the same floor. The office uses unassigned seating and offers ample meeting space, making it easier to consult with colleagues and communicate across departments.

Apparel Business Strategy

Pushing Forward with Structural Reforms to Rebuild the Apparel Business into a Profit Engine for Growth under VISION 2030 stage3

As declining profitability becomes increasingly evident, the apparel business is implementing structural reforms to transition to a sustainable business model. By concentrating resources on categories where we can leverage our strengths and reforming the value chain through measures such as optimizing production and logistics bases, we are strengthening the business while enhancing our value proposition and profitability. Through these efforts, we aim to rebuild the apparel business into a profit-generating business and improve capital efficiency.

FY2025 Business Overview

In FY2025, sales of differentiated products expanded, while sales through existing channels were affected by reductions in sales floor space and consumers' reluctance to make purchases. Structural reforms progressed as planned, including brand consolidation and SKU reductions, as well as the consolidation of production and logistics bases. We also recorded inventory valuation losses of approximately ¥1.9 billion associated with a reassessment of inventories of non-continuing products. We are laying the foundation for improved profitability going forward.

Initiatives for VISION 2030 stage2

To rebuild the apparel business into a Strong Business capable of adapting to changes in the business environment and prepare it for the next growth phase, we launched an internal project and are implementing structural reforms over FY2025 and FY2026. Specifically, we are pursuing three reform plans: the focused specialization strategy, value chain reform, and the local production for local consumption strategy.
The following outlines the progress made under each plan.

Focused specialization strategy

In the apparel business, we are reviewing our brand portfolio and narrowing our focus to products that deliver Gunze's unique value backed by scientific evidence (a cumulative 25% reduction in SKUs over FY2025–FY2026). At the same time, we are working to improve profitability by communicating product value more effectively, ensuring appropriate price pass-through, and focusing the sales channels in which we operate.

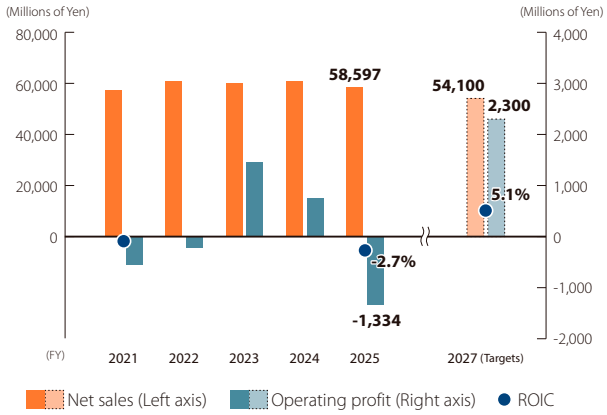
Value chain reform

Aligned with the focused specialization strategy, we are strengthening cost competitiveness by consolidating production and logistics bases and shifting more production overseas. We closed the Yanase Plant (Hyogo Prefecture) in FY2025 and plan to close the Tohoku Plant (Yamagata Prefecture) in FY2026. This will consolidate domestic innerwear production at the Miyazu Plant (Kyoto Prefecture), while we further expand the shift to overseas production. For logistics, we are optimizing inventory and reviewing functions, and plan to close our Kyoto logistics facility over FY2025 and FY2026 to improve efficiency through consolidation. In indirect operations, we implemented the Next Challenge Program, a voluntary retirement scheme designed to support employees transitioning in their careers, in FY2025. At the same time, to increase agility across the value chain, reduce lost sales opportunities, and optimize inventory, we are using product-planning library data and digital technologies such as task navigation to shorten the cycle and reduce lead times from planning to delivery. We are also improving operational efficiency by reviewing our procurement system, moving order processing online, and streamlining logistics operations. Through this restructuring, we are creating a leaner organization while pursuing greater agility and efficiency, thereby building a leaner, more resilient value chain.

Local production for local consumption strategy

Our conventional business model of importing products manufactured overseas for sale in Japan is highly exposed to exchange-rate fluctuations. To mitigate this exposure and support growth in the apparel business, we are building an overseas business model based on local production for local consumption. We are focusing on ASEAN, where we have production bases, and are allocating workforce resources—planning, development, and sales personnel—locally to respond quickly to local needs.

Apparel business net sales/Operating profit



Special Feature

Voices of Employees at the Forefront of Structural Reform

Structural reform in the apparel business is steadily progressing beyond reviews of organizational structures and strategies to encompass changes in front-line work processes and the mindset of each employee. This page highlights the changes these initiatives are bringing to day-to-day operations, while also sharing the challenges employees face and the ideas they are applying in practice to provide a clear picture of structural reform in action.

1. Current initiatives in response to structural reform **2. Looking ahead**

Planning

Shiori Mizuno
Product Planning Section
Planning & Development Group
Innerwear Division

1. Building a customer-centric development system

To build a stronger earnings base, we are concentrating on priority brands and discontinuing unprofitable products. We are shifting our mindset from the sales floor to the customer and moving to a development system that concentrates resources on products for which there is clear demand. Aligning perspectives across different functions can be challenging, but promotion, planning, production, and sales teams are working together to discuss and agree on direction.

2. Creating unique value from a global perspective

I want to dig deeper into unmet customer needs and take on product development for priority brands with global markets in mind. By backing our unique functionality with scientific evidence and translating it into benefits customers can actually experience, we aim to establish a one-of-a-kind position and continue delivering distinctive value.

Sales

Kazushige Urahira
Manager, GMS Section
Sales Group, Innerwear Division

1. Shifting the focus from sales to profit

Area sales to mass retailers is one of the areas where structural reform can have a particularly significant impact on profitability. We are shifting from a focus on sales to a focus on profit. Revising long-standing practices—such as price revisions, reviewing low-margin products, and reducing returns—has not been easy, but by concentrating on priority brands and reducing SKUs, we can already see the business shifting toward a more profitable structure.

2. Strengthening brand competitiveness

We will continue the shift from sales focused on revenue and volume to sales focused on profitability. By feeding sales data and in-store information back to each function, we will strengthen coordination between sales planning and production. We will also manage the business with greater focus on inventory turnover and profitability, while concentrating on priority brands and expanding customer touchpoints to strengthen brand competitiveness.

SCM

Masayoshi Sugiyama
Manager, SCM Section
Production Group, Innerwear Division

1. Balancing stable supply and cost reduction

In the SCM Section, we are reducing inventory by building an agile production platform and lowering manufacturing costs by shifting production to ASEAN and advancing automation. Managing the additional workload involved in production transfers is challenging, but we are working hard to improve efficiency and reduce costs while maintaining stable supply.

2. Building an organization resilient to change and capable of generating profit

We will strengthen collaboration with each function and build an SCM system that is resilient to change. As structural reforms proceed, we will balance inventory reduction with stable supply, contributing to profit growth and higher customer satisfaction. By steadily accumulating improvements rooted in front-line perspectives, we aim to build an organization that consistently generates profit.

EC

Naoko Ota
E-Commerce Planning Section
Retail Division

1. Toward an EC strategy focused on communicating value

At the Gunze Online Store, we are creating an online storefront centered on priority brands that clearly communicates comfort, functionality, and our commitment to craftsmanship rather than relying too heavily on price appeals. We are reassessing conventional approaches and evolving our proposals around customers' concerns and everyday situations so that they can understand and appreciate the value we offer. The shift toward more efficient and sustainable operations is challenging, but also rewarding.

2. Winning more Gunze fans by helping customers experience our value

I want to evolve the Gunze Online Store from an EC site focused simply on "selling" products into one that communicates our commitment to comfort and craftsmanship and enables customers to experience the value for themselves. By making proposals that stay close to customers, we will build relationships that keep them choosing Gunze over the long term and take on the challenge of creating a business that generates sustainable profits by expanding our fan base.

Production

Ryohei Nishiumi
Manager, Production V
Innerwear Division, Miyazu Plant

1. Reducing manufacturing costs through plant restructuring

At our production sites, we are restructuring plants and working to reduce manufacturing costs through optimal production allocation and procurement across domestic and overseas plants. The reorganization involves moving equipment and is being carried out with the cooperation of many stakeholders. To minimize the impact of shutdowns during equipment transfers, we are working quickly to restart operations and transfer technical know-how.

2. Further improving efficiency through IT

Through operational reform using IT, we will reduce labor costs by improving productivity and lower material costs by improving yields. We will also strengthen coordination between processes to shorten production lead times, prevent lost sales opportunities, and reduce inventories, thereby building a sustainable production platform that can respond flexibly to changes in the market.

Lifestyle Creations Business Strategy

Shift Low-Profit Assets to Growth Areas and New Businesses, Enhance Group Growth and ROIC

The Lifestyle Creations Business supports comfortable, fulfilling lives in local communities through its real estate-related, landscaping and greening, and sports club businesses. Going forward, we will improve asset efficiency and review low-profit assets in the real estate-related field, while expanding services in the landscaping and greening and sports club fields that support healthy and comfortable lifestyles. Through these efforts, we aim to contribute to solving social issues while balancing social and economic value.

FY2025 Business Overview

In the real estate business, foot traffic recovered at the Gunze Town Center Tsukashin shopping center (Amagasaki City, Hyogo Prefecture), supported by the effects of its renovation, contributing to improved performance. In the sports club business, profitability improved due to price revisions, the closure of unprofitable locations, an increase in school membership, and the expansion of contracted services. The landscaping and greening business was affected by a decline following the previous year's large-scale projects, but the Lifestyle Creations Business as a whole recorded increases in both net sales and operating profit.

Initiatives for VISION 2030 stage2

Real estate business

Gunze Value Added (GVA), a financial indicator, turned positive ahead of plan. In the shopping center business, as Tsukashin marks its 20th anniversary, it aims to become a family-friendly shopping center that is even more beloved by the local community. In the real estate leasing business, we will strengthen property-by-property management and promote the efficient use of Group assets, thereby improving ROIC and contributing to the growth of the Group as a whole.

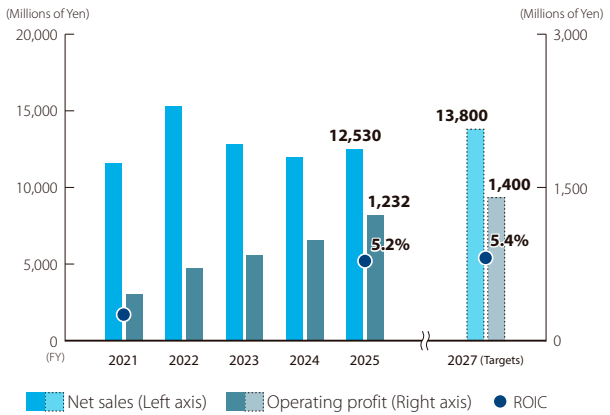
Landscaping and greening business

Net sales and operating profit declined due to a pullback in demand following Expo 2025 Osaka, Kansai, Japan, as well as project postponements. In tree sales, we will strengthen profitability through rigorous cost management and expanded sales of high-value-added products, while aiming to evolve into a regional greening solutions business that proposes and provides the value of greenery from the design and planning stages. In flower sales, we will improve profitability by consolidating existing products and developing original products, while actively promoting "green education (*ryokuiku*)" initiatives that foster children's interest in the natural environment.

Sports club business

Profitability improved through higher sales at existing locations and the closure of unprofitable locations. In the school business, in addition to capturing demand for junior swimming programs, we will expand contracted school swimming lessons. In the fitness business, we will increase customer satisfaction by providing distinctive services and strengthen collaboration with local governments. By developing services that help address social issues, we aim to become an indispensable presence in local communities.

Lifestyle creations business net sales/Operating profit



Lifestyle Creations Business Strategy

Real estate business

In FY2025, Tsukashin expanded its tenant lineup across the food, dining, and service categories, while strengthening events aimed at families with young children.
In the food category, the first-floor food zone, a core part of the tenant mix, was renovated. Together with the fresh-food specialty zone renovated in FY2024, this created synergies that increased the number of customers using the center for everyday shopping. In the dining category, nationally known chains specializing in ramen and teppan-grilled meat were joined by a popular local Chinese restaurant. In the service category, the opening of a major bank, a mobile carrier shop, and a cram school enhanced customer convenience and broadened the reasons for visiting the center. In addition, the opening of a specialty store for baby and maternity products, together with existing specialty stores for babies and toddlers, created one of the area's leading retail zones for children's products. Expanded events for families with young children also helped increase visits by families.
As a result, total tenant sales at Tsukashin reached ¥28.1 billion, surpassing the previous year's ¥25.9 billion and setting a new record. Going forward, we will aim to achieve sales of ¥30.0 billion while continuing to develop a shopping center that grows together with the community and is loved by local residents.

Exterior of Nishimachi Kitchen at Gunze Town Center Tsukashin

Landscaping and greening business

Gunze Green Co., Ltd. proposes greening solutions for urban redevelopment projects, commercial facilities, and event spaces through the procurement and supply of trees, helping create comfortable and attractive environments.
In FY2025, we continued to supply trees for an Osaka Station-front redevelopment project, contributing to an attractive urban landscape and greater vibrancy in the area. We have also supplied trees for the large Christmas tree at the annual Christmas event held at Yokohama Red Brick Warehouse since 2013, helping create a festive seasonal atmosphere.
We are also working to pass on the importance of greenery to the next generation. At the Children's Future EXPO held in Kita Ward, Osaka City, we offered a *kokedama* (moss ball)-making workshop, giving children an opportunity to interact with plants and deepen their understanding of nature and greenery.
Going forward, through the landscaping and greening business, we will continue creating the value of greenery that connects cities and people, contributing to a comfortable and sustainable society.

Trees supplied for the Christmas event at Yokohama Red Brick Warehouse

Trees supplied for an Osaka Station-front redevelopment project

Kokedama-making workshop

Sports club business

In FY2025, we operated our facilities with a focus on supporting members' health and contributing to local communities.
In the school business, primarily through swimming programs, we strengthened partnerships with nursery schools and kindergartens and enhanced our programs, creating an environment in which children can participate with confidence. We also provided contracted school swimming lessons in various regions, supporting schools by leveraging our expertise in professional instruction and safety management.
In the fitness business, in addition to enhancing our programs, we launched women-only machine Pilates studios that are easy for exercise beginners to use, expanding services to meet diverse health needs. We also held community events open to members and non-members alike, including events featuring playground equipment, mobile aquariums, food trucks, and handprint art for infants and toddlers, helping revitalize local communities. At a club in Kurashiki City, Okayama Prefecture, Gunze Sports Co., Ltd. entered into an Agreement Concerning Facility Use during Disasters and Exercise Support at Evacuation Centers, further supporting the safety and health of local residents. Going forward, we will seek to become an indispensable presence in the community not only by providing places that support health and fitness, but also by deepening our connections with local communities.

(From left) Kaori Ito, Mayor of Kurashiki; Hitohiro Nishimura, Representative Director, Gunze Sports Co., Ltd. (As of January 2026)

Stakeholder Engagement

The Gunze Group has embraced its founding spirit of "striving for harmonious coexistence with all stakeholders surrounding the Company." True to this philosophy, we place great importance on open communication with our stakeholders. By engaging in dialogue with six identified stakeholder groups, we aim to create social and economic value and contribute to the realization of a sustainable society and global environment.

Stakeholder	Co-created value	Means of engagement	FY2025 results
Customers	We are committed to providing excellent products and services and practicing the motto "Happy to Sell, Happy to Buy." With quality as our first priority, we pursue safety, security, comfort, and satisfaction, and develop products and services that are friendly to the environment and people.	• Customer service office • Medical department information session • Customer service activities for apparel products (through retail stores, directly operated stores, and online channels)	• Customer satisfaction: 4.6 points (Out of 5) (Based on customer satisfaction survey)
Business partners	Beyond just complying with relevant laws and regulations, and the spirit with which they are written, we conduct transactions that are fair and free. We call for a prohibition of discrimination in employment, forced labor, and child labor.	• Sustainable Procurement Guidelines • Co-hosted seminars (medical) • Daily sales activities • Human rights due diligence	• In-house assessments (1 domestic factory) • Supplier assessments (8 suppliers in the plastic films business)
Society	We wholeheartedly participate in social and community activities, build friendly relationships with society, and pursue sustainability with communities.	• Initiatives under comprehensive partnership agreements with Osaka Prefecture, Osaka City, and Kyoto Prefecture • Participation in the Kyoto Model Forest Movement in Ayabe • Donations via the Gunze Love Earth Club • Disaster preparedness agreement with Kurashiki City (Gunze Sports)	• Kyoto Model Forest Movement: 4 activities • Comprehensive partnership initiatives: 18 projects
Employees	We provide equal opportunities without discriminating in employment and treatment. We respect the human rights of all people involved in our business activities and do not use forced labor or child labor. We promote skills development that enables diversity among employees who will be the right person in the right position, and nurture human resources who can contribute to society.	• One-on-one meetings • Training/Seminars • Mentoring • Childcare leave support interviews • General consultation hotline	• Engagement score: 61 points • Childcare leave utilization rate Women: 125% Men: 86%
Environment	We will contribute to the realization of a sustainable earth and society by actively working to protect the global environment, including biodiversity, and reduce greenhouse gas emissions in all of our business activities, as well as by providing environmentally friendly products and services.	• Disclosure of sustainability-related information (climate change, water resources, biodiversity) • Dialogue with suppliers to reduce Scope 3 emissions • Resource circulation initiatives centered on the Circular Factory™	• Third-party verification of CO_2 emissions data • Scope 3 382,151 t-CO_2 • Recycled hybrid shrink film (environmentally friendly product) sales: approx. 295 tons • Zero industrial waste at apparel logistics bases (Nishinomiya Logistics and Okayama Logistics)
Shareholders and investors	We work to enhance corporate credibility through the promotion of sustainability management. We proactively and fairly disclose corporate information and live up to the trust that is placed in us.	• General meetings of shareholders • Financial results briefings • Small meetings • Individual IR meetings • Plant tours for analysts and institutional investors • Corporate briefings for individual investors (Nomura Securities, Rakuten Securities)	• Number of IR participants: 423 • Online briefings for individual investors: over 4,000 viewers

Stakeholder Engagement

Dialogues with Shareholders and Investors

Junko Nakashima
Corporate Officer
General Manager,
Corporate Communication
Department

The Gunze Group considers enhancing corporate value over the medium to long term through constructive dialogue with shareholders and investors to be an important management priority. Led by the Investor Relations Section and working in coordination with relevant departments, we hold quarterly financial results briefings, individual meetings with institutional investors and securities analysts, and small meetings. We also maintain ongoing dialogue with those responsible for exercising voting rights at beneficial shareholders.
Beginning in FY2025, we also launched briefings for individual investors through IR events organized by securities companies and other channels, working to expand opportunities for engagement with individual investors and deepen their understanding of our businesses.

Our dialogue covers a broad range of topics, including business performance, business strategies, capital policy, and progress on structural reforms, as well as non-financial matters such as human capital, environmental initiatives, and corporate governance. We organize and analyze the opinions and issues identified through these discussions and regularly share them with management and the Board of Directors. This feedback is used to further refine management strategies, improve capital efficiency, and strengthen corporate governance. We are also enhancing our IR website, improving financial results presentation materials, and providing information in multiple languages to deliver timely and easy-to-understand information to shareholders and investors. Going forward, we will continue to strengthen relationships of trust with the capital markets through sincere, two-way communication.

Online briefing for individual investors

Key comments and questions from shareholders and investors

Q. Outlook for the medical business

A. In the medical business, we will pursue business expansion by positioning our high-value-added, in-house bioabsorbable products that meet needs in healthcare settings as key growth drivers.
In addition to expanding sales in Japan, we will accelerate growth through further global expansion. We will also scale back low-profit externally sourced products, including medical lasers, and shift toward a business portfolio centered on in-house products. By improving profitability in this way, we aim to achieve sustainable growth.

Q. Will structural reforms in the apparel business deliver results?

A. We are advancing structural reforms, including the consolidation of production and logistics bases and the optimization of brands and SKUs, as we shift toward business operations with a greater emphasis on profitability. We are targeting a ¥3.3 billion improvement in profit from FY2024 through FY2027 and plan to achieve 93% of this target by FY2026. Progress is ahead of our initial expectations, and we will work toward achieving our operating profit target of ¥2.3 billion.

FY2025 results

Category	FY2025 results	Company representatives
For institutional investors and securities analysts	Financial results briefings: Four briefings (hybrid in May and November; online in August and February) Total attendance: 170 companies, 218 participants	• Representative Director and President • Representative Director, Senior Managing Corporate Officer, General Manager of Management & Strategy Department • Director, General Manager of Finance & Accounting Department • Corporate Officers • Corporate Communication Department, Public & Investor Relations
	Total participants in 1-on-1 meetings: 122 companies, 191 participants (41 in-person, 150 online)	
For individual investors	Online briefings held in collaboration with securities companies Nomura Securities (November), Rakuten Securities (February)	• Representative Director and President
	Online distribution of financial briefing transcripts and Q&A: Twice (May and November)	• Corporate Communication Department, Public & Investor Relations

* As of March 31, 2026

Key dialogue themes

Theme	Details
Progress on the Medium-term Management Plan	• Growth strategies for core businesses and results of implementation • Structural reforms in the apparel business • Progress toward operating profit targets in each business
Business environment and performance	• Sales, profit and performance by segment • Market environment and competitive landscape • Measures to address geopolitical risks
Capital policy	• Exchange of views on the cost of capital and target ROE • Approach to shareholder returns under the Medium-term Management Plan • Reduction of cross-shareholdings
ESG-related	• Enhancement of the corporate governance framework • Human capital strategy, including personnel system reforms • Initiatives to reduce environmental impact