

GUNZE

BUSINESS GUIDE

for FY2024

GUNZE LIMITED
TSE Prime (Code:3002)

I. Outline & History of GUNZE



I-1. Corporate Profile

Founded : August 10, 1896 (128 years ago)

Capital Stock : 26.1 billion yen

Affiliates : 57 Facilities (Domestic- 29, Overseas- 28)

Employees : 4,883 (Consolidated) , 1,553 (Non-consolidated)

Net Sales : 133 billion yen (Consolidated)

< March 31, 2024 >

I-2. Founding Philosophy

Origin of “Gunze”

郡(GUN) – Refers to Ikaruga-gun, Kyoto (“Gun” means “district” in Japanese)
是(ZE) – Means “policy” in Japanese

**GUNZE Silk
Manufacturing
Co., Ltd.**

Why was “Gunze”
founded ?

To promote the silk industry and
contribute to the local community

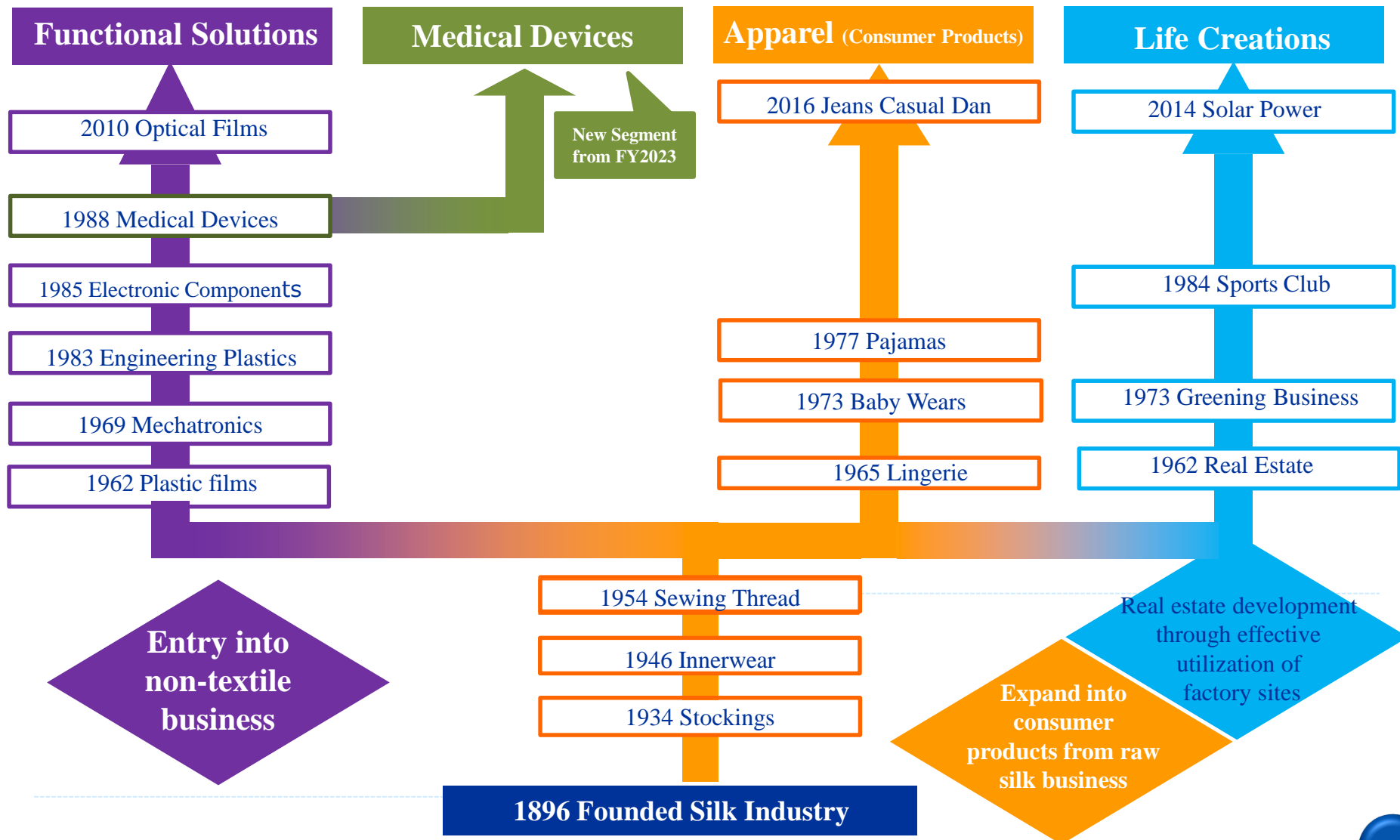
Founding Philosophy

People-oriented Approach = Respect people
Commitment to Quality = Serve the people’s needs
with the finest products
Harmonious Coexistence = Contribute to society



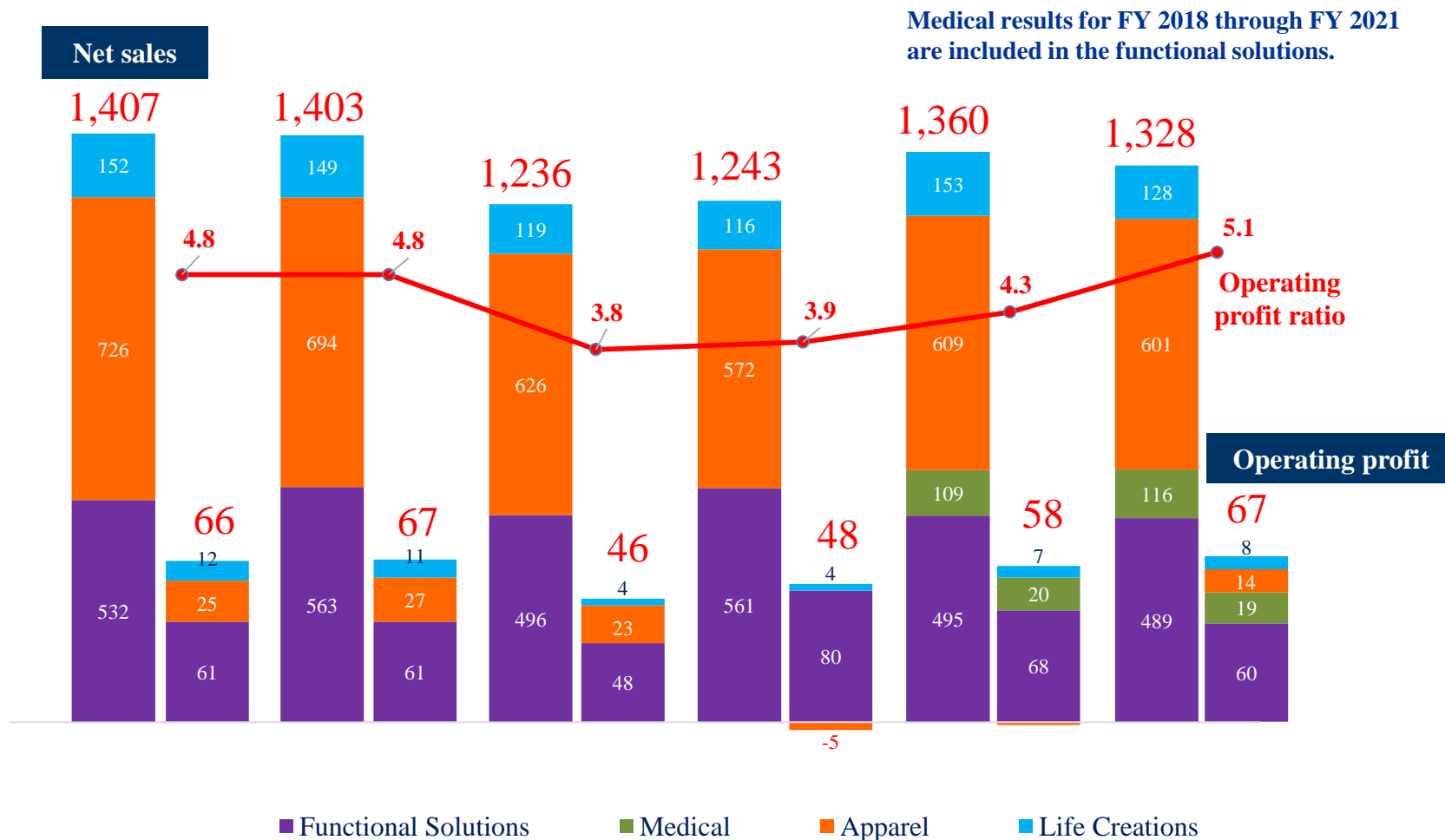
Tsurukichi Hatano
(Founder)

I-3. Corporate Development



I-4. Performance (Consolidated)

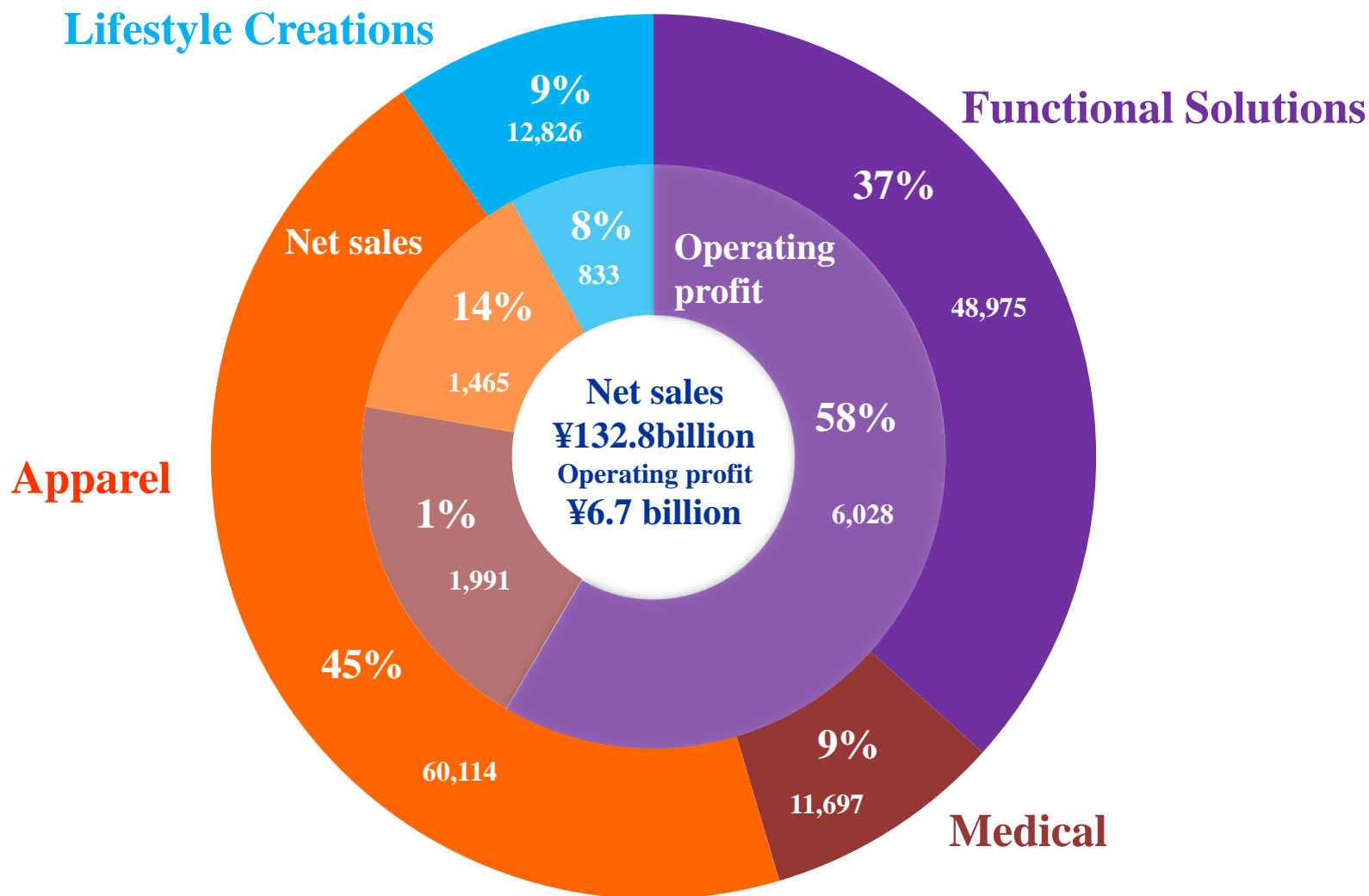
■ History of Net Sales and Operating Profit (Unit: Billions of Yen, %)



II. Overview by Business Segment

II-1. Consolidated Financial Statements for FY2023 by Segment

(Millions of yen)



Total includes corporate expenses not included in segment profit.

Copyright © GUNZE LIMITED. All rights reserved

II-2. Products in the Functional Solutions

Plastic Films

➤ Expansion of food-related packaging applications as well as toiletry applications



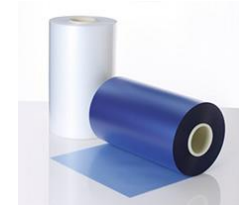
- Shrink Films
- ✓ Beverages
- ✓ Toiletry goods



- Nylon Films
- ✓ Refill Pouch
- ✓ Barrier Nylon Films and Others



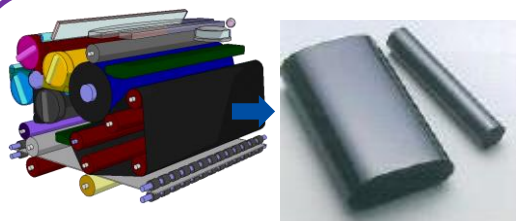
- OPP Films
- ✓ Anti-Fogging Film for fresh vegetables including bean sprouts and mushrooms



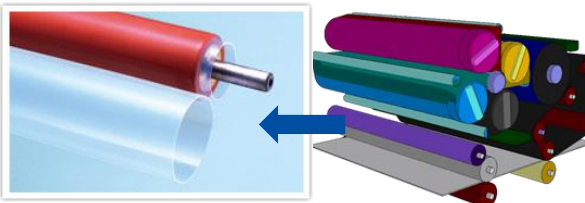
- Multilayer Sheets
- ✓ Semiconductor applications
- ✓ Wall paper

Engineering Plastics

➤ In addition to high-functional materials used in OA equipment, non-OA equipment such as semiconductor-related products



- High-function Plastics
- ✓ Image Transfer Belt for Color Photocopiers. (Seamless Belt)



- Fluororesin Materials
- ✓ Tubes for Fuser Rollers



- Other Fluorine Products
- ✓ Filter materials for Semiconductor applications

II-3. Products in the Medical Business

Medical Devices

➤ Bioabsorbable medical devices and medical devices for aesthetic medical market

● New reportable business segment from FY2023



● PGA suture



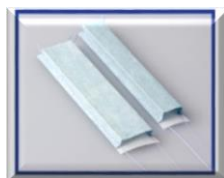
● Artificial dermis



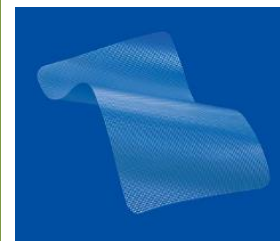
● Bone fixation devices



Automatic suture device with reinforcement felt



● Bioabsorbable reinforcement felt



● Absorbable adhesion barrier



● Medical Lasers

◆ Supplementary Information : Global Network (Functional Solutions)

Plastics (Kansas)



Gunze Plastics &
Engineering Corporation
Of America (1992)

Plastics (Vietnam)



Gunze
Plastics&Engineering
of Vietnam Co.,Ltd.
(2018)

Plastics (Shanghai)



Shanghai Gunze New
Packaging Co., Ltd.
(1997)
Shanghai Gunze New
Plastics Film Co., Ltd.
(2002)

Medical Devices
Gunze Medical Devices
(Shenzhen) Limited (2011)

Engineering Plastics
Gunze Engineering Plastics
(Hong Kong) Limited (2005)

II-4. Apparel Products

Innerwear



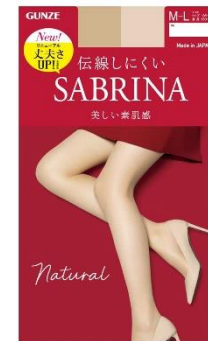
KIREILABO®
キレイラボ



YG
Cotton Professional



Legwear



Nightwear, House casual wear



Jeans & Casual・Dan



Threads and Accessories



◆ Supplementary Information: Global Network(Apparel)

Threads and Accessories (Bangladesh)



Gunze United Limited

Threads and Accessories (Vietnam)



Gunze Hanoi Co., Ltd.

Inner Wear (Vietnam)



Gunze (Vietnam) Co., Ltd.

Innerwear (Thailand)



Thai Gunze Co., Ltd.

Innerwear (Beijing)



Beijing Aimer Gunze Apparel Ltd.

Innerwear (Dalian)



Dalian Gunze Fashion Garments Co., Ltd.

Threads and Accessories (China)

Changshu Gunze Accessories Co., Ltd.
Taicang Gunze New Material Co., LTD.

Innerwear

Shandong Gunze Apparel Ltd.

Shanghai

Innerwear / Stockings

Gunze China Ltd.

Threads and Accessories

Gunze (Shanghai) International Trading Co., Ltd.
Shanghai Gunze Fiber Co., Ltd.

Threads and Accessories

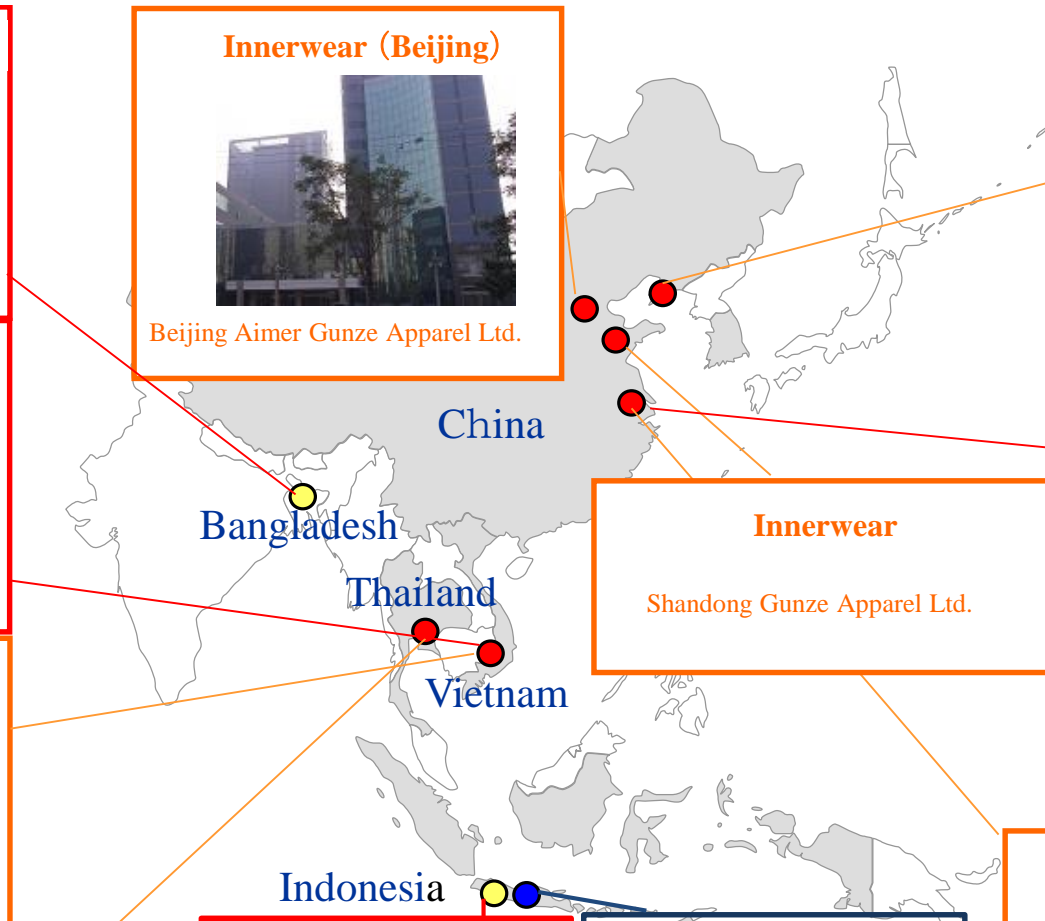


P.T. Gunze Indonesia

Socks



P.T. Gunze Socks Indonesia



II-5. Lifestyle Creation Business (1)

Sports Clubs

- Fitness Gyms, 21 gyms, 40K members

GUNZE
SPORTS



Swimming school



GUNZE SPORTS Suita-Kento shop

Operation of Commercial Facilities

- Commercial Facility Development, Real Estate Business, Spa Business



Shopping complex
“TSUKASHIN”
in Amagasaki, Hyogo.



II-6. Lifestyle Creation Business (2)

Engineering Business

- Energy and resource savings, Performance Management-Diagnostics & Consultant



ESCO business
Energy-saving for buildings and factories



Solar Power Plant in Motomiya, Fukushima

Solar Power Business (2013—)

- Domestic facilities at 3 locations

Landscaping and Greening Business

- Sale of high-quality trees and flowers



City greening



Sales for flowers and
garden products

Phalaenopsis orchid

III. Consolidated Financial Statements for FY2023 (Ending March 31, 2024)

III-1. Consolidated Financial Statements for FY2023

Consolidated operating results

(Millions of yen)

	FY2023 Bottom profit margin	FY2022 Bottom profit margin	Y over Y	
			Increase (Decrease)	Change (%)
Net sales	132,885	136,030	(3,144)	(2.3)
Operating profit	6,777 5.1%	5,812 4.3%	965	16.6
Ordinary profit	6,774 5.1%	6,021 4.4%	753	12.5
Profit attributable to owners of parent	5,109 3.8%	4,501 3.7%	608	13.5

Extraordinary income/Losses:
 Gain on sales of securities 2,009
 Business restructuring expenses Electronic components, sports clubs, etc. (2,801)
 Settlement for under-reporting of water amount (534)

Income taxes:
 Income taxes-deferred 2,575

Consolidated financial position

	FY2023	FY2022	Increase (Decrease)
Total assets	161,971	165,927	(3,956)
Net assets	118,642	115,757	2,885
Equity ratio	73.2%	69.8%	3.4%
Interest-bearing debt	9,004	15,426	(6,421)
BPS (JPY)	7,112.73	6,789.78	322.95

III-2. FY2023 Segment Summary

Net sales decreased due to transfer of electronic components business and real estate development project factors in previous fiscal year.

Operating profit increased due to profit improvement in apparel business.

Highlights of segment performance

Functional Solutions

Sales and profits of the materials businesses declined due to sluggish market conditions and lower demand in the office automation market.

Plastic Films: Strong sales of packaging films in the U.S., but affected by stagnant demand in Japan and Asia.

Engineering Plastics: Sales of office automation equipment were flat, but sales of semiconductors and general industrial applications remained strong.

Electronic Components : Affected by economic slowdown in China and slump in PC market.

Medical

Increased in sales and decreased in income due to higher human capital investment costs for future growth.

Market penetration of new products such as anti-adhesive materials will increase with the recovery of the main domestic medical application market.

Bioabsorbable products grew in China due to increased efforts with new distributors.

Orders for medical lasers declined due to a decrease in the number of cosmetic medical institutions opening after Corona, etc.

III-3. FY2023 Segment Summary

Highlights of segment performance

Apparel

Seasonal products struggled due to the prolonged summer heat and mild winter, but annual products with differentiated apparel appealed to customers.
 Strong performance and significant profit increase due to improved profitability resulting from price revisions, including higher value-added products, and business restructuring.
 Continued growth in EC and directly managed store routes, which are being strengthened, and will continue to work on growth strategies through a shift to D-to-C.
 Innerwear: Value-added products that meet customer needs performed well.
 Legwear: Sales of hosiery and pantyhose were strong due to the impact of the renewal of the mainstay Sabrina products.

Lifestyle Creations

The real estate business declined due to the impact of sales from the land reclamation project in the previous fiscal year.
 Shopping center business and sports club business both showed recovery trend and profit increased.

III-4. FY2023 Performance by Segment

Consolidated Results

(Millions of yen)

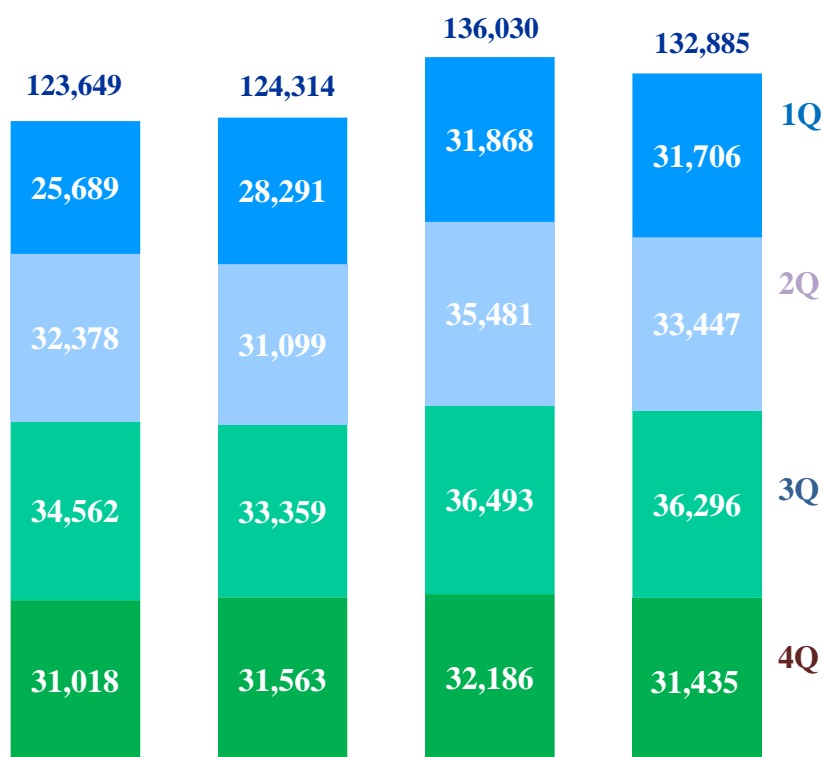
	Net sales			Operating profit Bottom: profit margin		
	FY2023	FY2022	YoY	FY2023	FY2022	YoY
Functional Solutions	48,975	49,555	(1.2%) (580)	6,028 12.3%	6,835 13.8%	(11.8%) (807)
Medical	11,697	10,957	6.8% 740	1,991 17.0%	2,082 19.0%	(4.4%) (90)
Apparel	60,114	60,986	(1.4%) (872)	1,465 2.4%	(222) (0.4%)	- 1,688
Lifestyle Creations	12,826	156,327	(16.3%) (2,501)	833 6.5%	705 4.6%	18.2% 127
Total	132,885	136,030	(2.3%) (3,144)	6,777 5.1%	5,812 4.3%	16.6% 965

III-5. Net sales for FY2023

Net sales **¥132,885** YoY(2.3%)

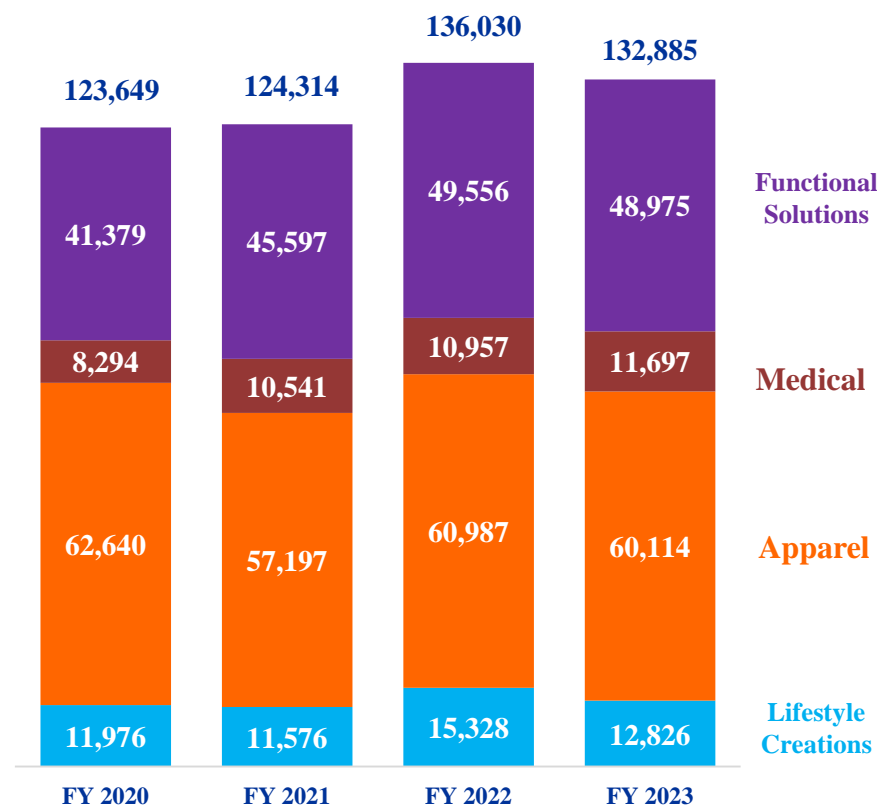
(Millions of yen)

<By quarter>



Transfer of electronic component film business in the previous fiscal year.
Decrease due to real estate development project factors.

<By segment>



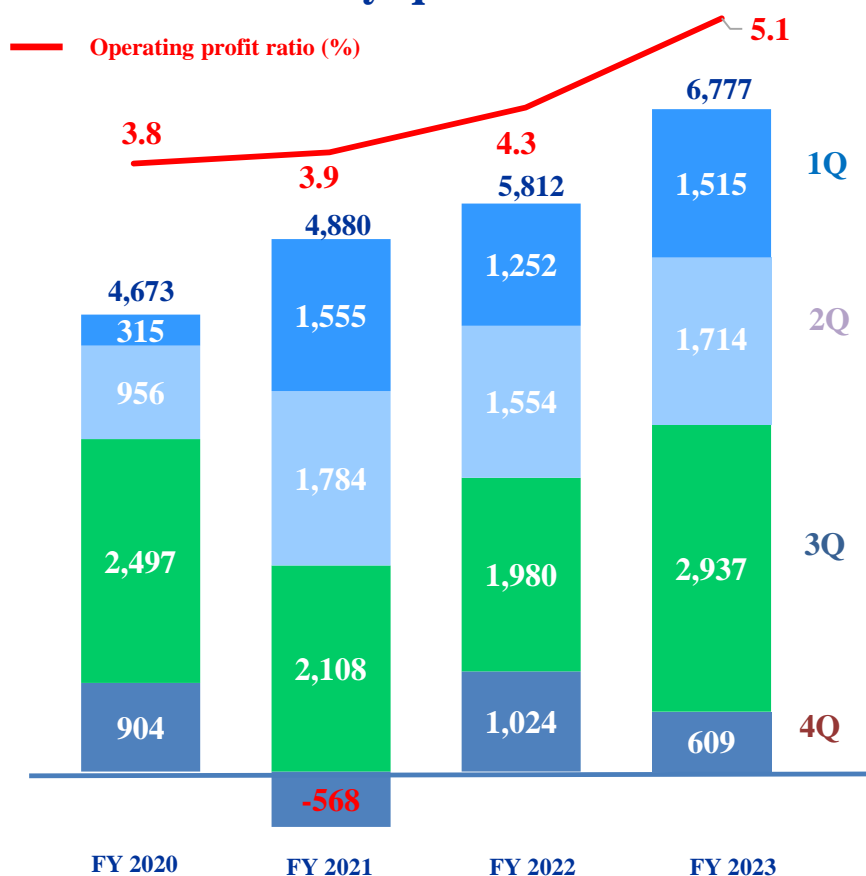
Medical net sales increased.

III-6. Operating profit for FY2023

Operating profit ¥6,777 YoY +16.6%

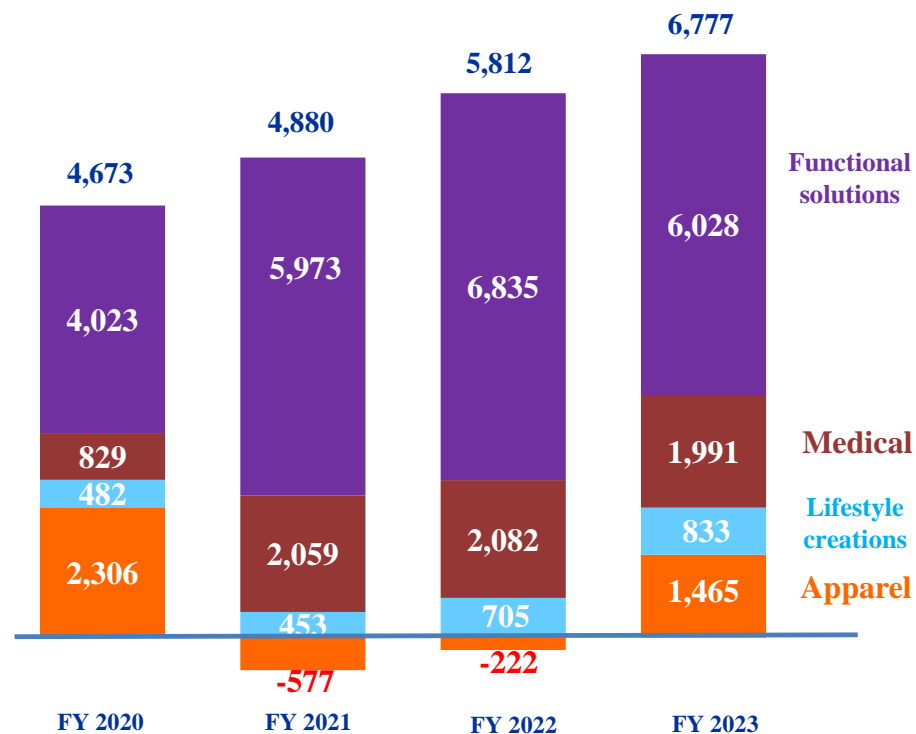
(Millions of yen)

<By quarter>



**Apparel profit improved.
Profit increased by ¥950M**

<By segment>



**Apparel profit increased due to the improved activities.
Functional solutions profit decreased due to low demand.**

Total includes corporate expenses not included in segment profit.

III-7. Cash Flows

(Millions of yen)

	FY 2023	FY 2022	Change
Operating activities	10,409	1,794	8,614
Investing activities	(190)	(5,920)	5,729
FCF	10,219	(4,126)	14,343
Financing activities	(11,347)	1,007	(12,355)
Cash and cash equivalents	10,818	11,547	(728)

■ Breakdown of Operating CF

Profit before income taxes	4,504
Depreciation and amortization	6,149

■ Breakdown of Investing CF

Sale of investment securities	7,094
Purchase of fixed assets	(7,166)

■ Breakdown of Financing CF

Decrease in short-term borrowings and commercial papers	(6,697)
Purchase of treasury shares	(2,006)
Dividends paid	(2,497)

III-8. Capital Expenditures and Depreciation & Amortization

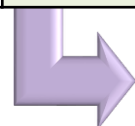
(Millions of yen)

■ Capital expenditures ■ Depreciation&amortization



	Capital expenditures					Depreciation & amortization				
	FY2022	FY2023	Change from previous period	FY2024 Plan	Increase/Decrease	FY2022	FY2023	Change from previous period	FY2024 Plan	Increase/decrease
Functional Solutions	4,816	4,672	△144	2,200	△2,472	2,423	2,478	55	2,800	322
Medical	553	403	△150	4,100	3,697	371	453	82	500	47
Apparel	1,493	1,888	395	2,100	212	1,250	1,346	96	1,500	154
Lifestyle Creations	2,053	1,597	△456	1,100	△497	1,370	1,440	70	1,500	60
Others	680	584	△96	500	△84	478	488	10	500	12
Total	9,597	9,147	△450	10,000	853	5,894	6,208	314	6,800	592

Major investments in FY2024



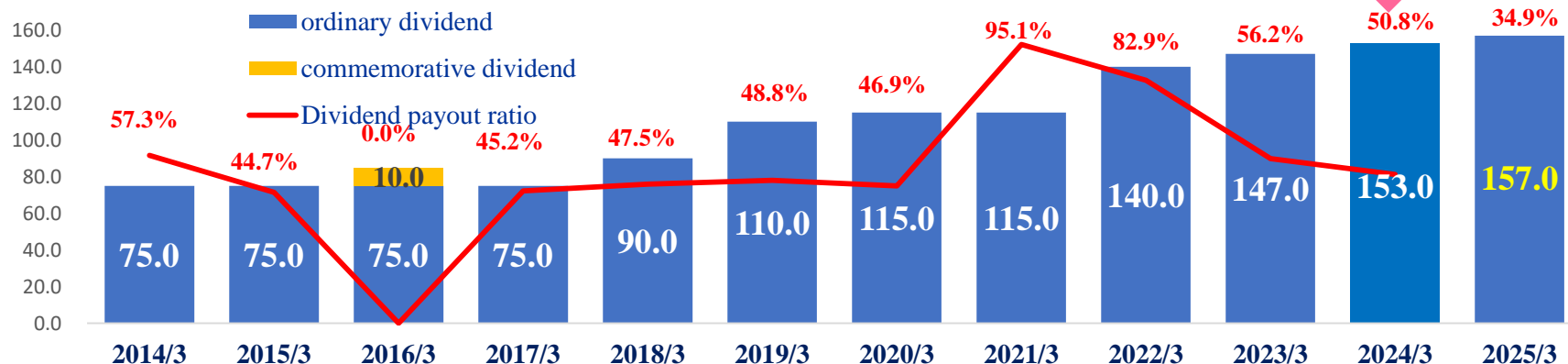
Medical plant expansion and automate production facilities	3,200
Apparel smart factory production equipment and system improvements	500
Plastic film resource recycling equipment	200

III-9. Distribution of Earnings to Shareholders

Dividend per share and dividend payout ratio

(Unit: JPY)

From Forecast
3 yen increase in dividend



Forecast

Treasury Stock

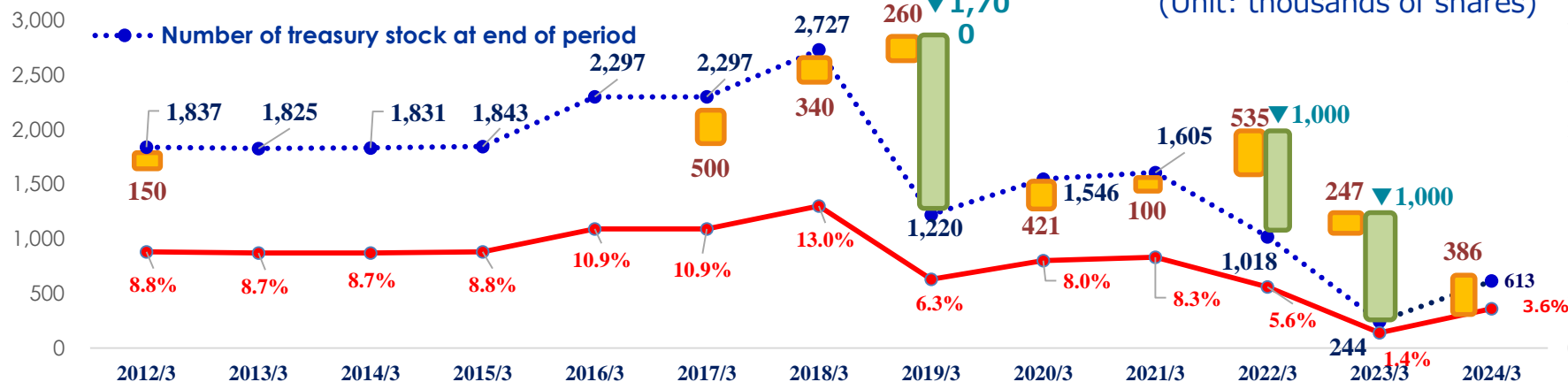
※ Gunze carried out consolidation of its shares in which every ten shares of the Company's common stock would be consolidated into one share effective October 1, 2017. Accordingly, dividends before the end of March 2017 are converted by reflecting this share consolidation.

acquisition

cancellation

Treasury stock ratio

(Unit: thousands of shares)



Under the new medium-term management plan “VISION 2030 Stage 1”, the company will 100% total return ratio (until ROE exceeds cost of shareholders' equity).
Dividend on Equity Ratio (DOE): Policy of returning profits to shareholders with a target of 2.2% or higher.

IV. Outlook for FY2024

IV-1. FY2024 Management Outlook

Both sales and earnings are expected to increase due to the recovery of the materials-related market, the expansion of sales of new products and new channels, productivity improvement efforts and the effects of business restructuring.

◆ Challenges for FY2024

Functional Solutions

- In plastic films business, the company will proceed with the full operation of a resource recycling plant and establish a recycling center, which will serve as the basis for transformation into a circular manufacturer.
- In engineering plastics business, the company will expand its main plant in Konan, with a target completion date of March 2025, to meet growing demand in the medical and semiconductor markets.
- In electronic components business, the company will transfer its 85.1% interest in a consolidated subsidiary and the commercial rights to its touch panel business in Japan and the U.S. on October 1, 2024 (tentative).
- Negotiations for the transfer of the mechatronics business will also be initiated.

Medical

In order to accelerate business growth, the company will construct a new plant (the third plant) on the site of its Ayabe Plant in Kyoto, which is scheduled for completion in February 2025, and strengthen its R&D facilities to enhance its development capabilities. The new plant will be equipped to increase production of “TENALEAF”, an absorbable adhesive barrier.

IV-2. FY2024 Management Outlook

◆ Challenges for FY2024

Apparel

- Through a cross-industry reorganization aimed at improving competitiveness, the Company aims to further expand sales through D-to-C channels such as e-commerce channels and company-owned stores, which are growing in line with changes in consumer behavior.
- Actively promote cooperation with other companies, expand into the lifestyle market, and increase sales of women's intimate apparel through differentiated new products.
- The Company will continue to implement structural reforms, including the consolidation of production bases, and strengthen its cost competitiveness through automation and the establishment of a globally optimized production system.

Lifestyle Creations

In sport club business, the company will step up efforts to deal with problem stores, such as closing unprofitable stores, while expanding the school business, providing distinctive services tailored to store characteristics and developing new business models.

IV-3. FY2024 Forecast


(Millions of yen)

	FY2024		FY2023		Change	
	Forecast	Profit ratio	Results	Profit ratio	Amount	%
Net sales	140,000		132,885		7,115	5.4%
Operating profit	9,000	6.4%	6,777	5.1%	2,223	32.8%
Ordinary profit	9,000	6.4%	6,774	5.1%	2,226	32.9%
Profit attributable to owners of parent	7,500	5.4%	5,109	3.8%	2,391	46.8%

IV-4. FY2024 Forecast by Segment

(Millions of yen)

	Net sales			Operating Profit Bottom: Profit margin		
	FY2024	FY2023	Change	FY2024	FY2023	Change
Functional Solutions	49,700	48,975	1.5% 725	7,200 14.5%	6,028 12.3%	19.4% 1,172
Medical	13,000	11,697	11.1% 1,303	2,500 19.2%	1,991 17.0%	25.6% 509
Apparel	65,200	60,114	8.5% 5,086	1,900 2.9%	1,465 2.4%	29.7% 435
Lifestyle Creations	12,900	12,826	0.6% 74	1,100 8.5%	833 6.5%	32.1% 267
Total	140,000	132,885	5.4% 7,115	9,000 6.4%	6,777 5.1%	32.8% 2,223



V. Medium-term Management Plan “VISION 2030 stage1” Progress and Direction for the Next Medium-Term Management Plan

V-1. Mid-term Management Plan “VISION 2030 stage1”

(Announced May/13/2022)

Period **FY2022 – FY2024 (3-year plan)**

Vision **Create new value and deliver a “feeling of comfort”
to customers, contributing to a sustainable society.**

Contribute to society and also achieve Gunze Group sustainable growth through sustainable management capable to generating both economic and social value

Pivotal strategies	Creation of new value	Creation of new businesses and growing existing businesses (including M&As). Offering new products/services designed with enhanced sustainability in mind.
	Evolution of corporate constitution	Establishing a corporate culture that empowers diverse talent. Promoting employee mindset/duties transformations through work style reforms. Transforming business processes through the proactive use of digital technology.
	Environmentally responsible management	Reducing negative environmental impact from business activities.
	Capital cost-focused management	Strategic allocation of management resources. Achieving a positive GVA value by improving capital efficiency.

V-2. Medium-Term Management Plan VISION 2030 stage1

Management Goals (Non-financial Goals)

Category	Target indicators		2024 targets	2030 targets
Environmental responsiveness	CO ₂ emissions reduction rate (vs. FY2013, Scope 1 + 2)		28% or higher	35% or higher
	Per-unit energy consumption reduction rate (vs. previous year)		1%/year or higher	
Corporate constitution evolution	Promotion of women's empowerment	Ratio of women in managerial roles	6% or higher	20% or higher
		Ratio of female employees in workforce	35%	41%
		Ratio of women hired in main career track	50%	50%
	Parenting support	Men's paternity leave utilization rate	50%	70%
	Corporate culture creation	Engagement score	70 pt. (estimate)	80 pt. (estimate)
	Work style reform	Annual paid leave utilization rate	75%	100%
Others	Productivity improvement rate (P value*) *GUNZE's own productivity metric over the previous year		103%	103%

V-3. Progress of Mid-term Management Plan

(Millions of yen)	FY2021	FY2022	FY2023	FY2024	FY2024
	Results	Results	Results	Forecast	Targets
Net sales	124,314	136,030	132,885	140,000	140,000
Operating profit	4,880	5,812	6,777	9,000	10,000
Profit margin	3.9%	4.3%	5.1%	6.4%	7.1%

<KPI>

ROE 6.3% or higher Ratio of net income to shareholders' equity	FY2021 2.6%	FY2022 3.9%	FY2023 4.4%	FY2024 Forecast 6.3%	Target 6.3% or higher
Positive company-wide GVA GVA stands for Gunze Value Added (After-tax operating income + dividends) - Invested capital x WACC	FY2021 (¥ 2.6B)	FY2022 (¥ 2.3B)	FY2023 (¥ 1.6B)	FY2024 Forecast Positive	Target Positive Company-wide
Shareholder return Total return ratio 100% Dividend payout ratio (DOE) 2.2% or higher	FY2023 Dividend per share ¥153 Aquation of treasury stock 2,006 million yen Dividend payout ratio 50.8% (DOE 2.2%) Total return ratio 100%			FY2024 Forecast Dividend per share ¥157 Dividend payout ratio 34.9% (DOE 2.2% or higher) Total return ratio 100%	

V-4. Mid-term Management Plan Implementation and Status Changes

◆ Reform business portfolio by promoting structural reforms

- 1) Transfer of film business in Electronic Components. **October 2022**
- 2) Transfer of touch panel business in Electronic Components
=Withdrawal from Electronic Components business. **October 2024**
- 3) Start of consideration for business transfer in Mmechanotronics business.
March 2024
- 4) Liquidate the Chinese factories in Legwear business due to market contraction of pantyhose. **FY2022**
- 5) Termination of Indonesia Socks Factory (PTGSI). **FY2023**

◆ Business segment reorganization

Medical business was spun off from Functional Solutions Segment to clarify its position as a growth driver. **FY2023**

<Significant changes since the preparation of the medium-term business plan>

◆ Profit pressure factors from deteriorating external environment

Impact on operating income:

Negative 11.3 billion yen against **FY2021(BM)**

- 1) Soaring raw material prices (Plastics, Apparel, Engineering plastics)
- 2) Exchange rate fluctuations (Apparel)
- 3) Soaring energy costs (Plastics, Apparel, Engineering plastics)

GUNZE

The information contained in this document, including earnings forecasts, is based on judgments made in accordance with information currently available, and does not guarantee any future planned figures or measures.