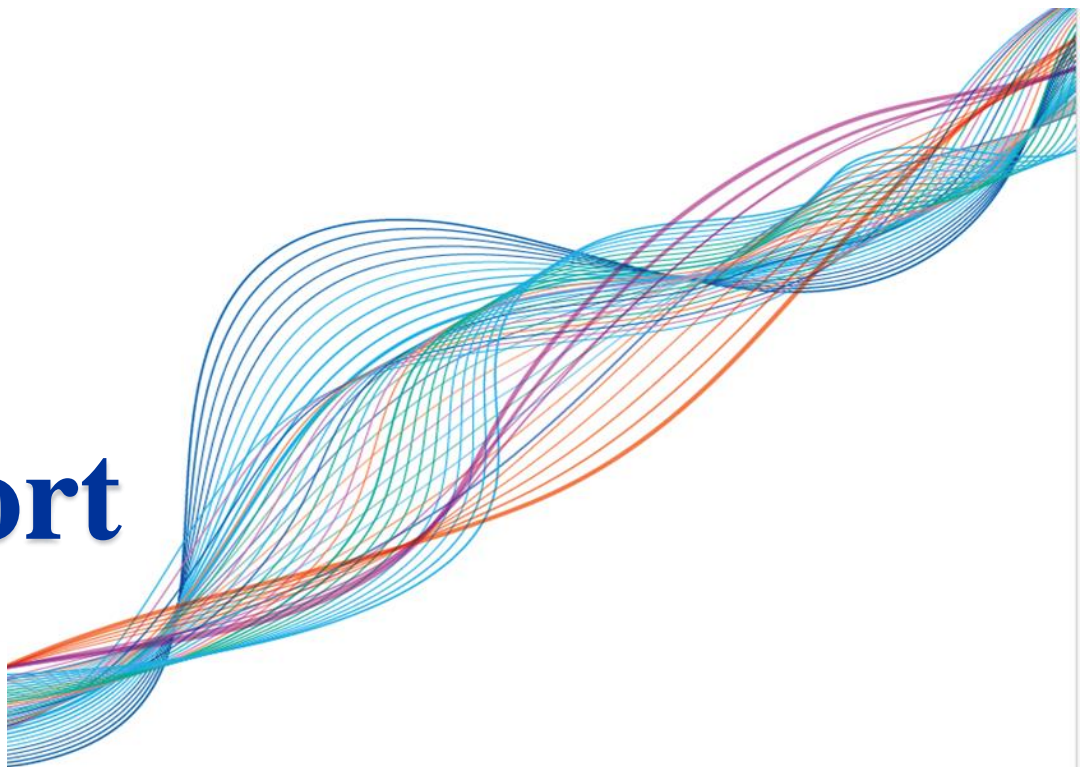




Business Report

**Consolidated Financial Statements
for the Second Quarter of FY2023
(Ending March 31, 2024)**



GUNZE LIMITED
TSE Prime (Code:3002)

I. Financial Statements for the Second Quarter of FY2023 (Ending March 31, 2024)

I-1. Consolidated Financial Statements for FY2023 2Q

Consolidated operating results

(Millions of yen)

	FY2023 2Q Bottom profit margin	FY2022 2Q Bottom profit margin	Y over Y	
			Increase (Decrease)	Change (%)
Net sales	65,153	67,350	(2,196)	(3.3)
Operating profit	3,230 5.0%	2,806 4.2%	423	15.1
Ordinary profit	3,280 5.0%	3,087 4.6%	193	6.3
Profit attributable to owners of parent	2,657 4.1%	2,206 3.3%	451	20.4

Extraordinary income:
Gain on sales of securities 700

Consolidated financial position

	FY2023 2Q	FY2022 2Q	Increase (Decrease)
Total assets	164,745	165,927	(1,182)
Net assets	118,386	115,757	2,629
Equity ratio	71.9%	69.8%	2.1%
Interest-bearing debt	13,645	15,426	(1,781)
BPS (JPY)	6,936.93	6,789.78	147.15

I-2. FY2023 2Q Segment Summary

In the second year of the medium-term management plan "VISION 2030 Stage 1", the apparel business improved profitability in the second quarter, while overall sales and income declined.

Highlights of segment performance

Functional Solutions

Sales and profits declined due to slowdown in customers' demand and high raw material and fuel prices.
Plastic Films: Strong shrink film sales in the U.S., but impacted by weak demand in Japan and Asia
Engineering Plastics: Sales of office automation equipment were stagnant, but sales of semiconductors and industrial applications remained strong.
Electronic Components: Touch panels for China affected by market slowdown.

Medical

Sales and profits decreased due to lower sales of medical lasers. Otherwise, sales of new bioabsorbable products and sales expansion in China proceeded smoothly.
 Sales of the new absorbable adhesive barrier sheet in Japan and sales in China were strong, but the decline in the number of cosmetic medical facilities opening after the Covid-19 and the decline in orders for medical lasers due to restrained investment.

Apparel

Profitability improved due to price revisions, including higher value-added products, as sales recovery progressed, resulting
 In the apparel business as a whole, the mass market route struggled, but the e-commerce and company-owned store routes, which are being strengthened, grew.
 Prolonged record-breaking summer heat delayed fall/winter product development
 Continued work on growth strategy through D-to-C shift and profit improvement through price revision.
Innerwear: Value-added products that meet customer needs performed well.
Legwear: continued structural reforms to improve profitability.
 in higher profits.

Lifestyle Creations

Good sales and profit growth due to lifting of restrictions
 The real estate business recorded a decline in sales due to the recognition of sales from the redevelopment of unused land in the previous fiscal year.
 Both the shopping center and sports club businesses are recovering with the lifting of restrictions.

I-3. FY2023 2Q Performance by Segment

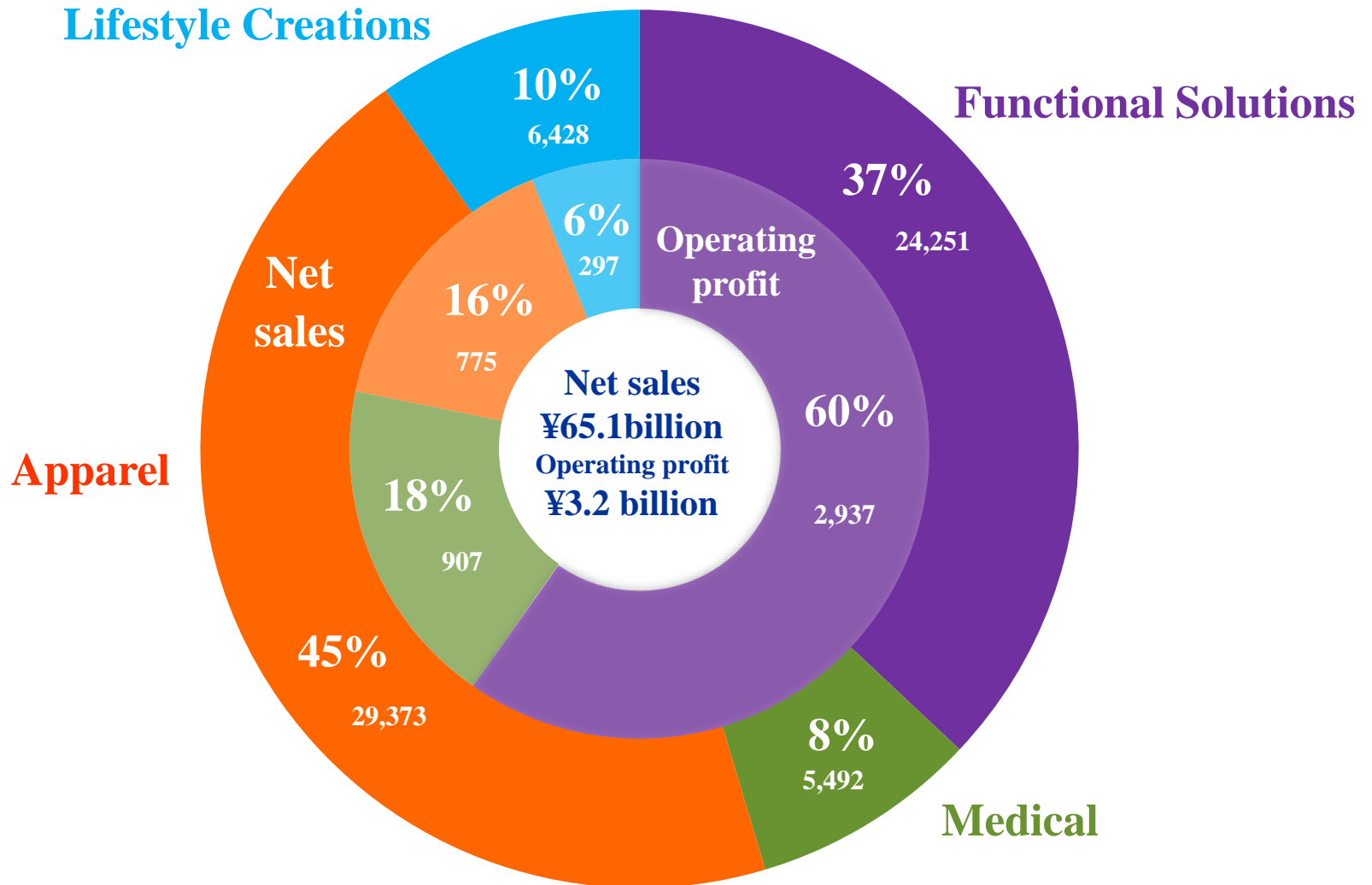
Consolidated Results

(Millions of yen)

	Net sales			Operating profit Bottom: profit margin		
	FY2023 2Q	FY2022 2Q	YoY	FY2023 2Q	FY2022 2Q	YoY
Functional Solutions	24,251	24,836	(2.4%) (584)	2,937 12.1%	3,114 12.5%	(5.7%) (176)
Medical	5,492	5,631	(2.5%) (138)	907 16.5%	1,078 19.1%	(15.8%) (170)
Apparel	29,373	30,082	(2.4%) (709)	775 2.6%	190 0.6%	305.9% 584
Lifestyle Creations	6,428	7,172	(10.4%) (743)	297 4.6%	198 2.8%	49.4% 98
Total	65,153	67,350	(3.3%) (2,196)	3,230 5.0%	2,806 4.2%	15.1% 423

I-4. Consolidated Financial Statements for FY2023 2Q by Segment

(Millions of yen)



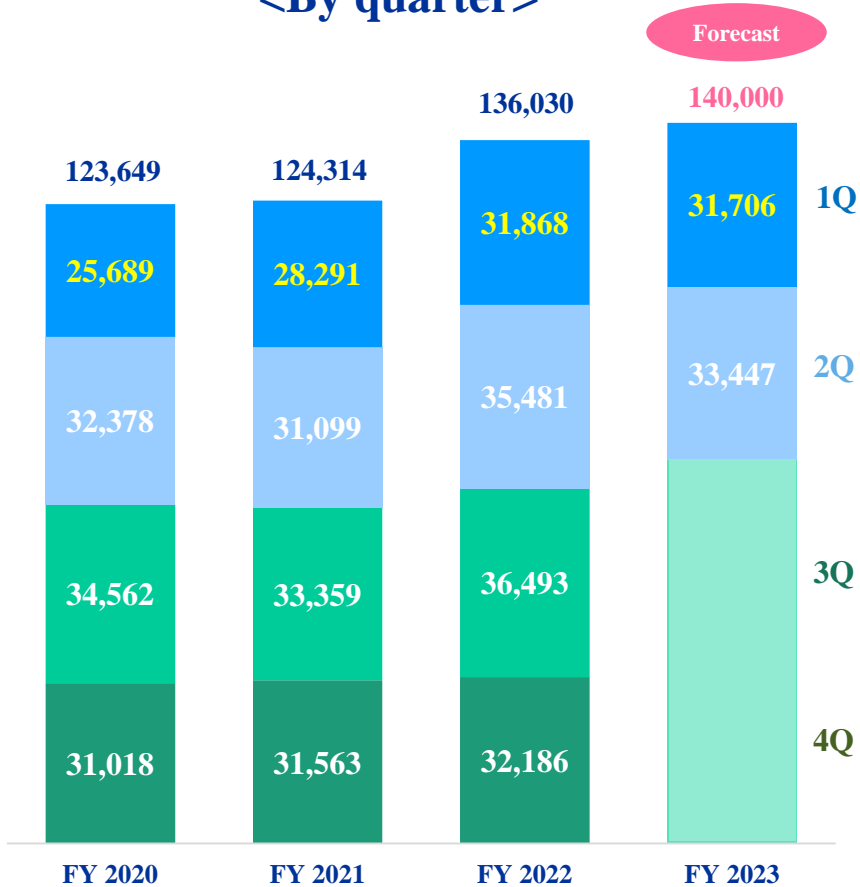
Total includes corporate expenses not included in segment profit

I-5. Net sales for FY2023 2Q

Net sales **¥65,153M** YoY(3.3%)

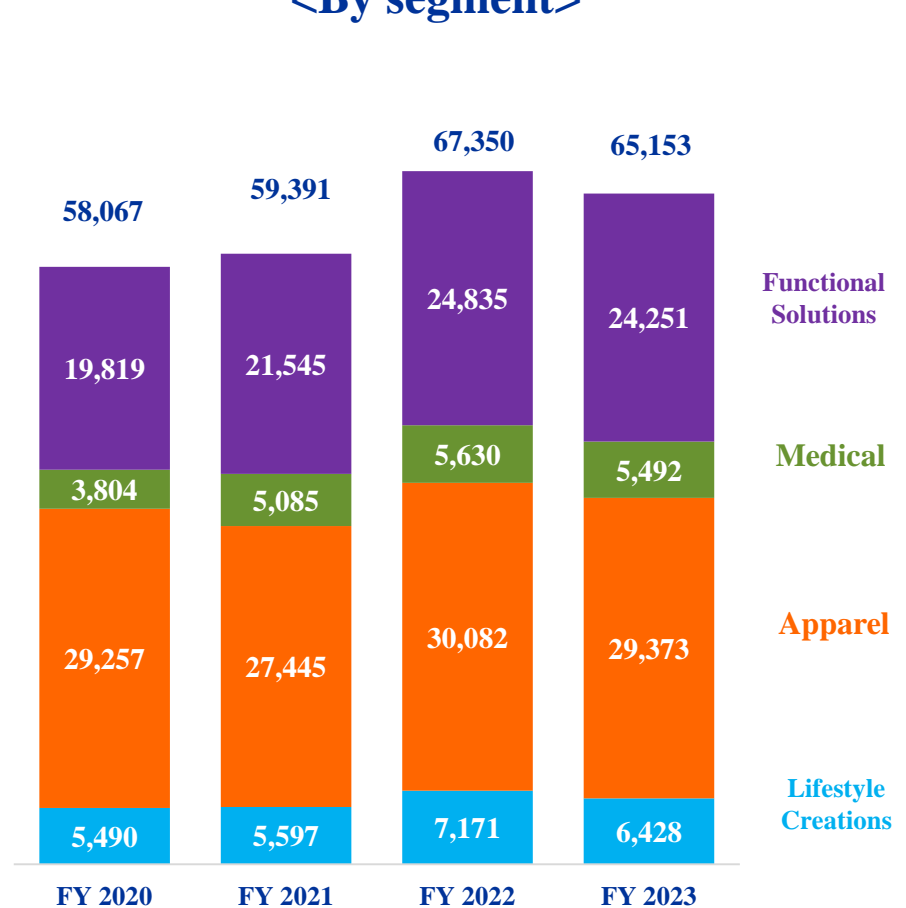
(Millions of yen)

<By quarter>



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

<By segment>

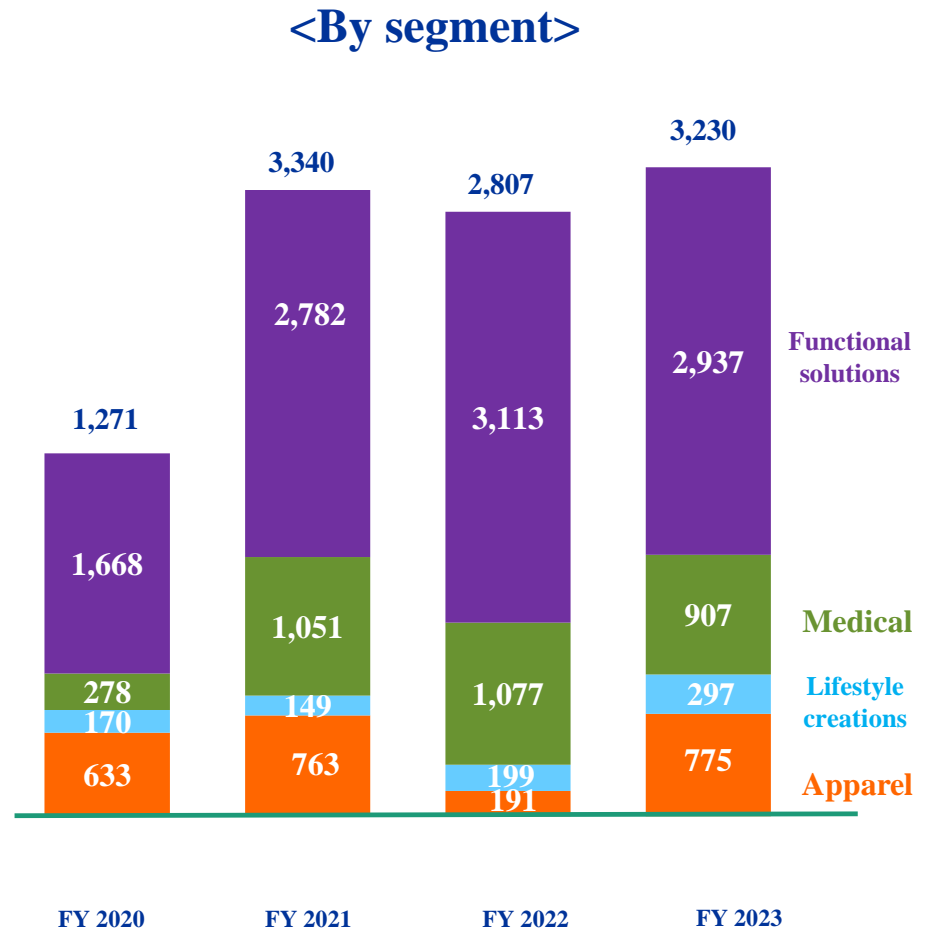
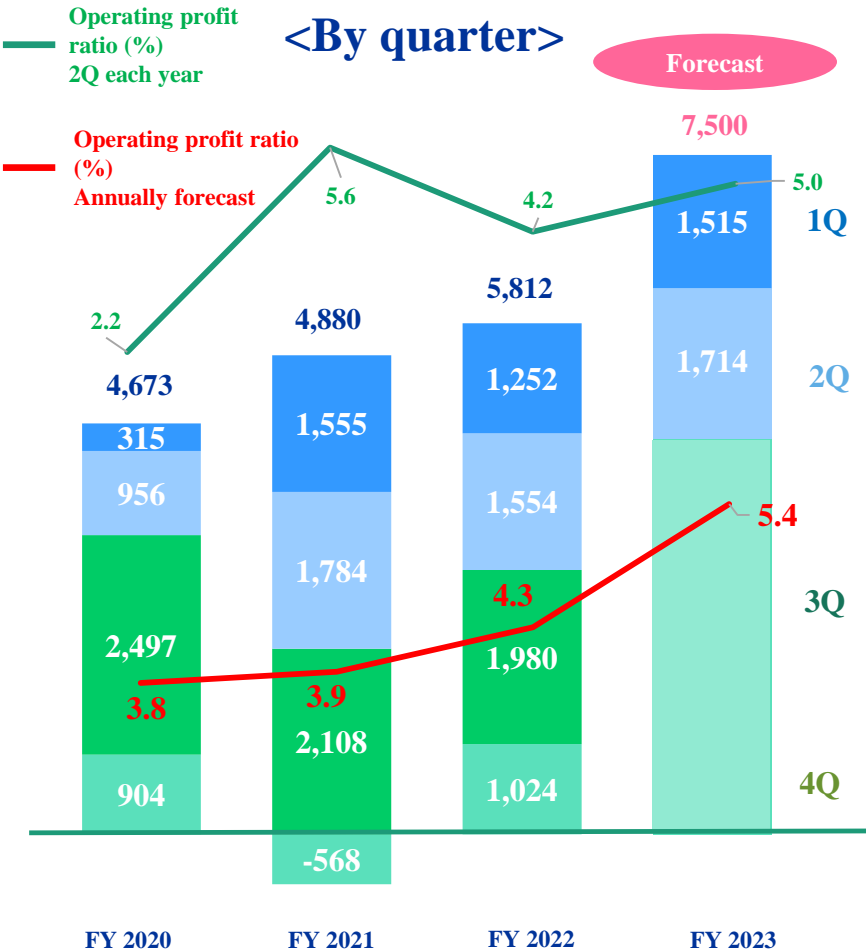


Apparel sales declined due to the prolonged summer heat, which delayed the launch of fall and winter products.

I-6. Operating profit for FY2023 2Q

Operating profit ¥3,230M YoY +15.1%

(Millions of yen)



**Apparel profit improved.
Overall, profit increased by ¥420M**

**Apparel profit increased due to the improved activities.
Functional solutions profit decreased due to low demand.
Medical profit decreased due to lower sales of medical lasers.**

Total includes corporate expenses not included in segment profit.

I-7. Quarterly Financial Results

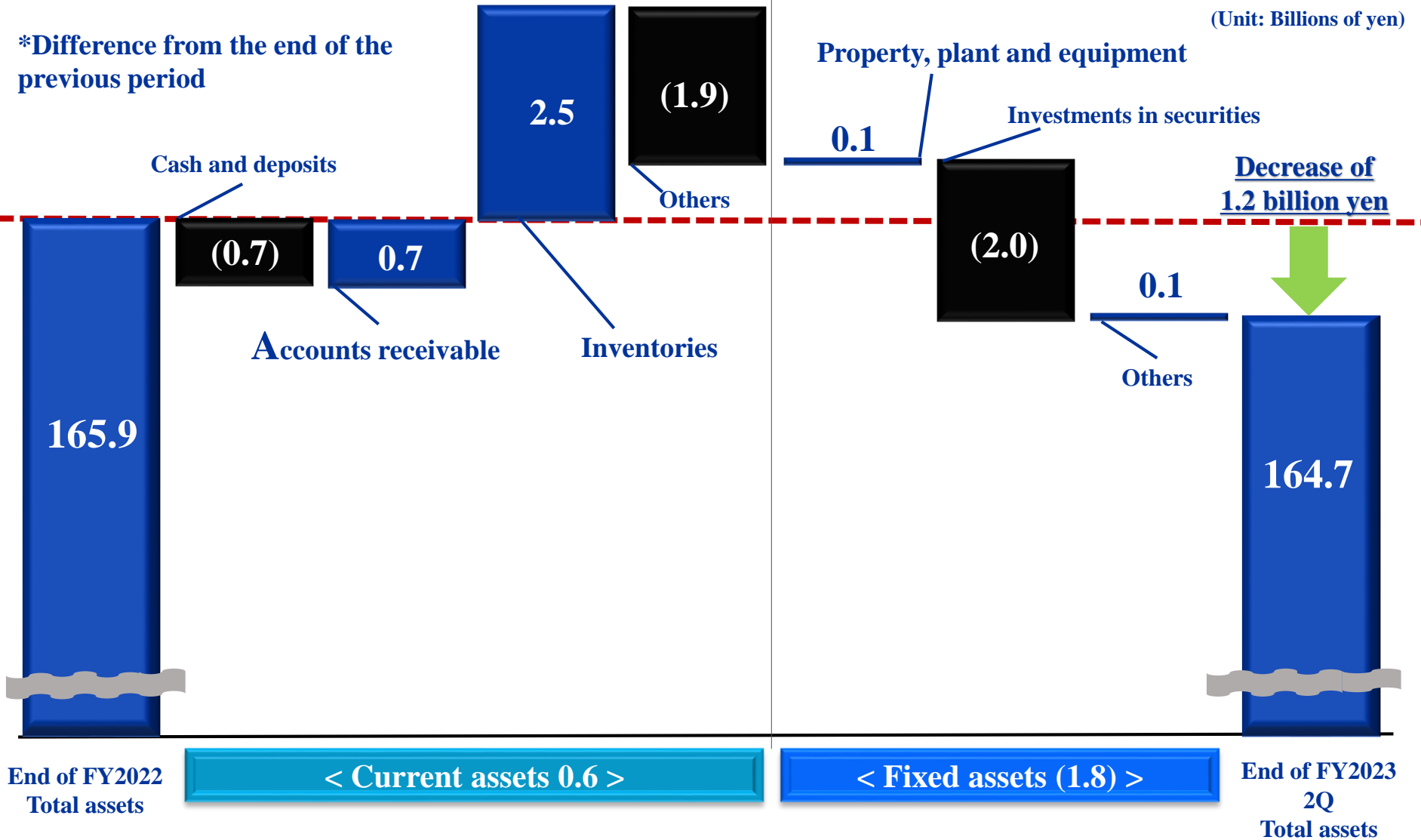
(Millions of yen)

	1Q				2Q			
	FY 2023	FY 2022	Increase/Decrease		FY 2023	FY 2022	Increase/Decrease	
Net sales	31,706	31,868	(162)	(0.5%)	33,447	35,481	(2,034)	(5.7%)
Functional Solutions	11,326	11,425	(98)	(0.9%)	12,925	13,410	(485)	(3.6%)
Medical	2,420	2,775	(355)	(12.8%)	3,072	2,855	217	7.6%
Apparel	14,583	14,062	520	(3.7)	14,789	16,019	(1,230)	(7.7%)
Lifestyle Creations	3,557	3,755	(197)	(5.3%)	2,871	3,417	(545)	(16.0%)
Operating profit	1,515	1,252	262	21.0%	1,714	1,554	160	10.3%
Functional Solutions	1,423	1,390	32	2.4%	1,514	1,723	(209)	(12.1%)
Medical	463	604	(141)	(23.3%)	444	473	(29)	(6.1%)
Apparel	343	(26)	370	-	431	217	213	97.7%
Lifestyle Creations	172	126	46	36.5	124	72	51	72.2%
Ordinary profit	1,640	1,570	69	4.5	1,639	1,516	123	8.1%
Profit attributable to owners of parent	1,586	1,171	415	35.4	1,071	1,035	36	3.5%

I-8. Detail of Changes in Total Assets

*Difference from the end of the previous period

(Unit: Billions of yen)



End of FY2022
Total assets

< Current assets 0.6 >

< Fixed assets (1.8) >

End of FY2023
2Q
Total assets

I-9. Cash Flows

(Millions of yen)

	FY 2023 2Q	FY 2022 2Q	Change
Operating activities	3,552	(2,048)	5,600
Investing activities	(63)	(2,676)	2,612
FCF	3,489	(4,724)	8,212
Financing activities	(4,822)	(360)	(4,462)
Cash and cash equivalents	10,886	9,828	1,058

■ Breakdown of Operating CF

Profit before income taxes	3,865
Depreciation and amortization	3,018
Corporate income tax return	1,225
Increase in inventories	(1,928)
Increase in other current assets	(1,486)

■ Breakdown of Investing CF

Sale of investment securities	4,549
Purchase of fixed assets	(3,626)
Purchase of investment securities	(980)

■ Breakdown of Financing CF

Dividends paid	(2,495)
Decrease in short-term debt and commercial paper	(1,877)

I-10. Capital Expenditures and Depreciation & Amortization

(Millions of yen)

	Capital expenditures				Depreciation & amortization			
	FY2023		FY2022	Change from previous period	FY2023		FY2022	Change from previous period
	Forecast	2Q Total	Results		Forecast	2Q Total	Results	
Functional Solutions	5,400	753	4,816	584	2,600	1,203	2,423	177
Medical	1,000	107	553	447	500	201	371	129
Apparel	2,100	433	1,493	607	1,400	646	1,250	150
Lifestyle Creations	1,700	314	2,053	(353)	1,500	673	1,370	130
Others	800	158	680	120	500	333	478	22
Total	11,000	1,765	9,597	1,403	6,500	3,056	5,894	606



Major investment plan in FY2023

Plastic film resource recycling plant and production facilities	3,000
Medical plant expansion and automate production facilities	300
Apparel SCM system renewal	600
Renovation of commercial facilities	600

II. Business Summary by Subsector



II-1. Business Summary by Subsector



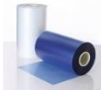

◆ Functional Solutions 1

Position

Profit
increased

■ Plastic films

The resource recycling factory was completed in April. The company will promote production innovation by automating equipment and using renewable energy. Work to launch environmentally friendly products and strengthen overseas sales expansion in the U.S., China, ASEAN countries.

Category	Main Products	Topics
Shrink film domestic	<p>Hybrid styrene shrink film is made by coextrusion of PET and PS. It has both well shrinkage and shrink characteristics. Olefin shrink film has a low specific gravity and easy to recycle.</p> 	<p>Beverage sales were stable due to the extremely hot weather. Food and Toiletries: Sales declined due to consumer reluctance to spend as a result of product price increases. Film price increases ensured sales growth.</p>
Flexible packaging	<p>The products have excellent gas barrier and pinhole resistance for food industry.</p> 	<p>Products are being used less due to price increases and a decrease in the use of packaging materials due to environmental issues such as miniaturization in Japan. Exports suffered from the shift to lower prices caused by the economic downturn in the U.S. and China.</p>
Industrial Packaging	<p>For semiconductor manufacturing , EV batteries, and wallpaper industry etc.</p> 	<p>Impact of ongoing semiconductor market inventory correction.</p>
OPP films	<p>Excellent anti-fog characteristic for food package.</p> 	<p>Affected by deteriorating overall packaging market conditions.</p>
Shrink film overseas	<p>Shrink films can be supplied world wide. The company has three production site in USA, China, and Vietnam.</p>	<p>USA: Strong sales of functional beverages, and also continued to expand sales of functional films. Vietnam: Inflation makes it clear that the market is cost conscious. China: Weak market conditions drive cost focus.</p>

II-2. Business Summary by Subsector

◆ Functional Solutions 2

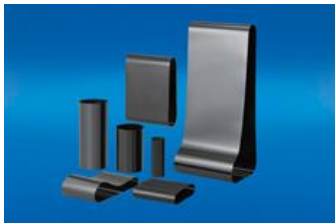
■ Engineering plastics

In addition to expanding the market share of its core products for the office automation market and developing new applications in the healthcare and medical markets, the company aims to further expand sales of products for industrial equipment.

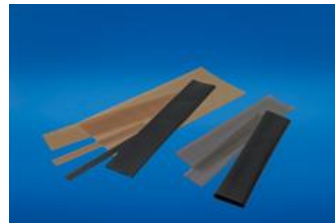
Position

Profit increased

◆ Category	Main Products	Topics
OA Functional products	Fluorine thin film tubes for fusing belts/rolls The intermediate transfer belt has the top share in the global market.	The economic stagnation in Europe, the U.S. and China has impacted the replacement cycle, leading to a decline in the number of small printers and other products.
Non-OA products	Functional parts used in manufacturing processes in the industrial market.	Raw materials for fluoropolymers are in short supply, but orders continue to come in from various industries.



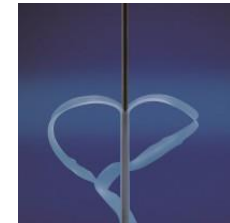
■ Seamless belt



■ Fluorine thin-walled tubing



■ Filter support materials



■ Tear-resistant fluoropolymer tubing

■ Electronic components

Improve profits with differentiated technology and lean and mean management.

Position

Profit improve ment

◆ Category	Main Products	Topics
Touch screens	Assembly and sales of capacitive touch panels	China's market recovery remains slow.

II-3. Business Summary by Subsector




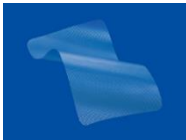

◆ Medical

Position

■ Medical

Accelerate business expansion by strengthening sales in the US and China and continuing new product development. Recovery in 2nd quarter.

Growth & expansion

◆ category	Main products	Topics
Bioabsorbable reinforcement felt	Suitable for reinforcing sutures and preventing air leaks during surgery effective as a scaffold material for tissue regeneration 	China: Sales increased due to the recovery of operations after Covid-19 and the effect of the depreciation of JPY. U.S.: Decline due to reduction in materials distribution business.
Bone fixation devices	Bioabsorbable bone grafting material with special processing 	Japan: New in-house products performed well and profitability improved. China: Sales increased due to sales expansion in the plastic surgery.
Artificial dermis	Absorbable artificial skin using collagen 	Japan: Strengthen sales expansion under new sales structure. U.S.: Continue to develop facilities, especially in the trauma field.
Absorbable adhesion barrier sheet	Absorbent anti-adhesion material consisting of gelatin in film form with an uneven surface 	Since its launch, the product has been well received for its ease of use. Purchasing is progressing at key facilities in urban areas. In the future, the company plans to expand sales in rural areas.
Purchased products like medical laser and so on	Medical devices for cosmetics, plastic surgery, wound care and so on 	Medical laser: Propose to replace existing facilities and deepen sales to private clinics starting in Q2.

II-4. Business Summary by Subsector

◆ Apparel 1

Continue to expand D-to-C sales through the e-commerce channel and company-operated stores, which are growing at an accelerated pace in line with changing consumer behavior, and further expand sales through collaborations with other companies.

Innerwear

Expand our health and wellness and ethical products in line with consumers' return to natural materials, casual wear, health and environmental consciousness and Femtech. Strengthen sales expansion of women's innerwear such as Femtech and differentiated products.

Position

Profit increased

- High value-added products based on differentiated technologies, such as "in-T", were well received and contributed to improved profitability.
- E-commerce and company-operated stores drive strong sales.

men's

BODYWILD: Existing stores declined, but EC route was strong, especially for molded "3DBoxer".
YG: The "in-T" innerwear, designed specifically for T-shirts, was expanded. Sales of value-added cotton-based products also increased.

women's

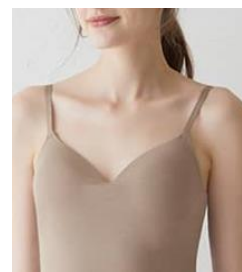
KIREILABO: Fitte" organic cotton products and the "Yutarila" fully seamless cup bra are driving sales.
Tuché: Newly launched bras are selling well, mainly through e-commerce and company-owned stores.



BODYWILD



YG



KIREILABO



Tuché

II-5. Business Summary by Subsector

◆ Apparel 2

Legwear

Strengthen market responsiveness based on changing consumer needs, aggressively launch new products in leggings and bottoms, and promote structural reform by reorganizing production bases.

Position

Profit
improvement

- Work to improve profitability in addition to increasing sales.

Pantyhose: Sales increased due to price revisions and renewals of core products. Volume was maintained.

Bottoms: Expanded sales of lifestyle category products through DtoC route, reviewed low-profit PB.

Profitability improved as a result of production structure reforms.



SABRINA
leggings



BODYWILD
tapered pants

II-6. Business Summary by Subsector

Position

Profit
improve
ment

◆ Lifestyle Creations

Real estate

Strengthen property-specific management of commercial facilities. Focus on improving profitability and investment efficiency.

● Status of shopping center business

Tsukashin (Amagasaki City, Hyogo): The number of visitors has recovered since the restrictions on activities were lifted, but were impacted by rising utility prices.



Tsukashin shopping center

● Status of real estate leasing business

Decrease due to sales of the Nagai City Station Development Project (Yamagata) recorded in the previous fiscal year.

Sports club

Expanding the school business and tailoring it to regional and store characteristics led to membership growth.

Sales recovery is also expected due to the strengthening of the school business and the implementation of price revisions but in the fitness business, membership has not returned to pre-Covid19 levels. Need to improve profitability based on store characteristics.



School business

Green business

Aggressive efforts to increase fixed volume to reduce CO2 emissions

Tree sales were stable due to the delivery of large projects such as schools.



Green business

III. Outlook for FY2023

III-1. FY2023 Forecast

No revision of forecast

(Millions of yen)

Item	FY2023		FY2022		Change	
	Forecast	Profit ratio	Results	Profit ratio	Amount	%
Net sales	140,000		136,030		3,970	2.9%
Operating profit	7,500	5.4%	5,812	4.3%	1,688	29.0%
Ordinary profit	7,500	5.4%	6,021	4.4%	1,479	24.6%
Profit attributable to owners of parent	4,800	3.4%	4,501	3.3%	299	6.6%

III-2. FY2023 Forecast by Segment

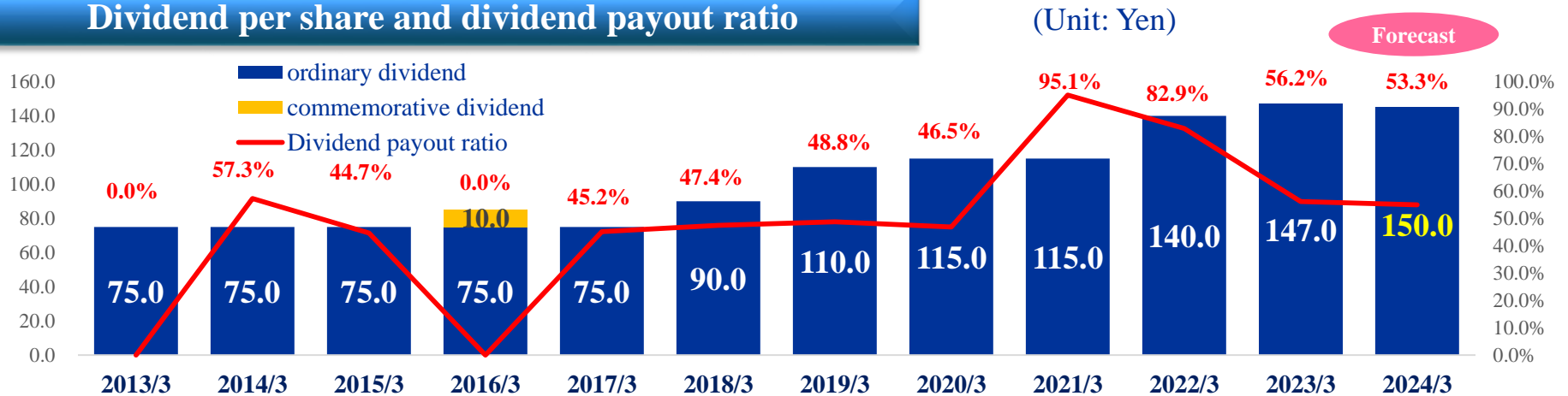
No revision of forecast

(Millions of yen)

	Net sales			Operating Profit Bottom: Profit margin		
	FY2023	FY2022	Change	FY2023	FY2022	Change
Functional Solutions	51,800	49,555	2,245 4.5%	7,100 13.7%	6,835 13.8%	265 3.9%
Medical	12,000	10,957	1,043 9.5%	2,300 19.2%	2,082 19.0%	218 10.5%
Apparel	63,300	60,986	2,314 3.8%	1,400 2.2%	(222) (0.4%)	1,622 -
Lifestyle Creations	13,800	15,327	(1,527) (10.0%)	800 5.8%	705 4.6%	95 13.5%
Total	140,000	136,030	3,970 2.9%	7,500 5.4%	5,812 4.3%	1,688 29.0%

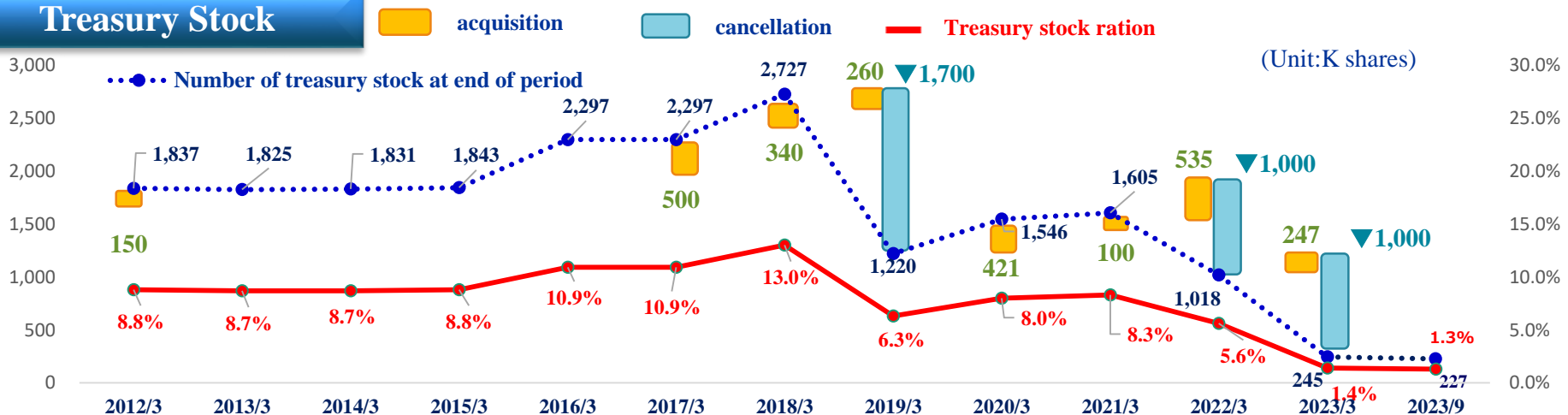
III-3. Distribution of Earnings to Shareholders

Dividend per share and dividend payout ratio



※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.

Treasury Stock



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 more.

III-3. Distribution of Earnings to Shareholders [Timely Disclosure]

Timely disclosure on November 2, 2023

Notification of Stock Repurchase

1. Purpose of stock repurchase

Implement an agile capital policy based on the financial strategy of the medium-term management plan "VISION 2030 Stage1".

2. Details of repurchase

- (1) Class of shares: Common stock of Gunze**
- (2) Total number of shares to be repurchased:
Up to 430,000 shares
(2.49% of the total number of shares outstanding)**
- (3) Total amount: Up to 2,000 million yen**
- (4) Period: From November 6, 2023 to March 22, 2024**

(Reference) Status of treasury stock as of September 30, 2023

Number of outstanding shares excluding treasury stock: 17,066,082

Number of shares of treasury stock: 227,434

Additional Information to Explain Management Activities

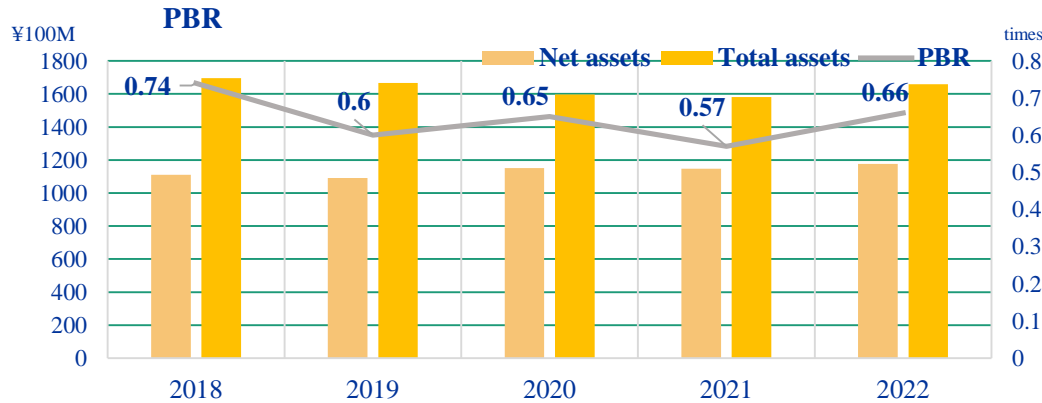
Contents

- I. Initiatives Promoted by Key Subsectors in Second Half**
- II. Action to Implement Management that is Conscious of Cost of Capital and Stock Price**
- III. Initiatives to Reduce Environmental Impact**

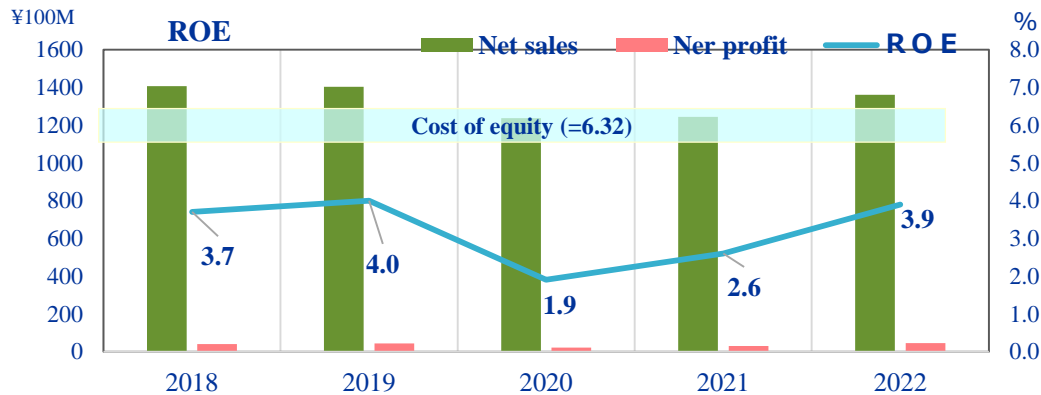
I. Second half initiatives driven by key subsectors

Subsectors	Second half initiatives driven
Plastic film	<ul style="list-style-type: none"> • Shrink films in Japan: Expanded sales of environmentally friendly products such as shrink film with 30% recycled content and entered a new market with thinner shrink film. • Shrink films overseas: Expanded sales of environmentally friendly products in toiletries in the U.S., beverages in Vietnam and household goods in China. • Drive cost reductions in all product lines by using resource recycling plant.
Engineering plastics	<ul style="list-style-type: none"> • Industrial applications: Sales expansion will be strengthened as demand in the healthcare market remains strong. • Semiconductor: Inventory adjustment will be temporary as raw material prices remain high. *Recovery from 4Q • OA-related products: Aim for recovery through new product launches. *Recovery from 4Q
Medical	<ul style="list-style-type: none"> • Increase profits by expanding sales of core products such as absorbable reinforcement felt, bone fixation device and artificial dermis in China. • Increase profits by expanding sales of new products with high growth potential such as absorbable adhesive barrier sheet and bone fixation device in Japan. • Attract new customers for medical lasers: Strengthen proposals to private clinics and acquire replacement demand from existing facilities.
Apparel	<ul style="list-style-type: none"> • Strengthen the D-to-C business: Aim to increase sales and profits through EC and directly operated stores. • Mass retailer channel: Expand product lineup through 24SS rebranding “BODYWILD”, “Tuche”, “COOLMAGIC” and so on. • Further promote structural reforms.

II-1. Action to implement management that is conscious of cost of capital and stock price

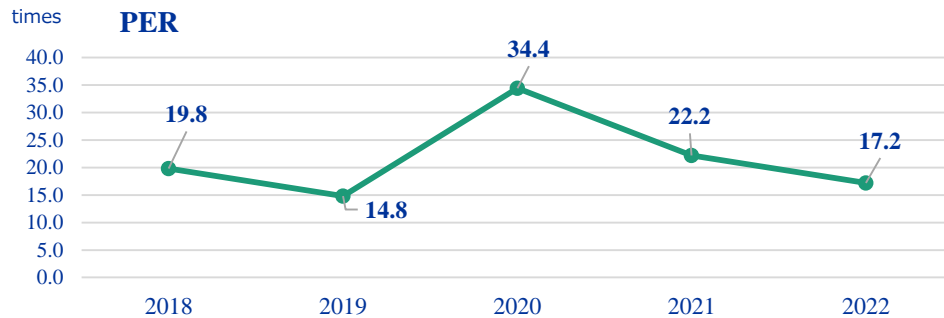


PBR remains below 1



ROE below estimated cost of equity (6.32%)

Cost of equity: Our FY2018 setting based on CAPM theory
*Cost of equity = Risk-free rate + Beta value x Market premium



PER is above the prime market average of 15 times

II-2. Action to implement management that is conscious of cost of capital and stock price

(Formula) **PBR** = **ROE** × **PER** (Target)

Our challenge is to improve profitability (ROE)

ROE
6.32% or higher

What the stock market is looking for is continuous profit (numerator) growth

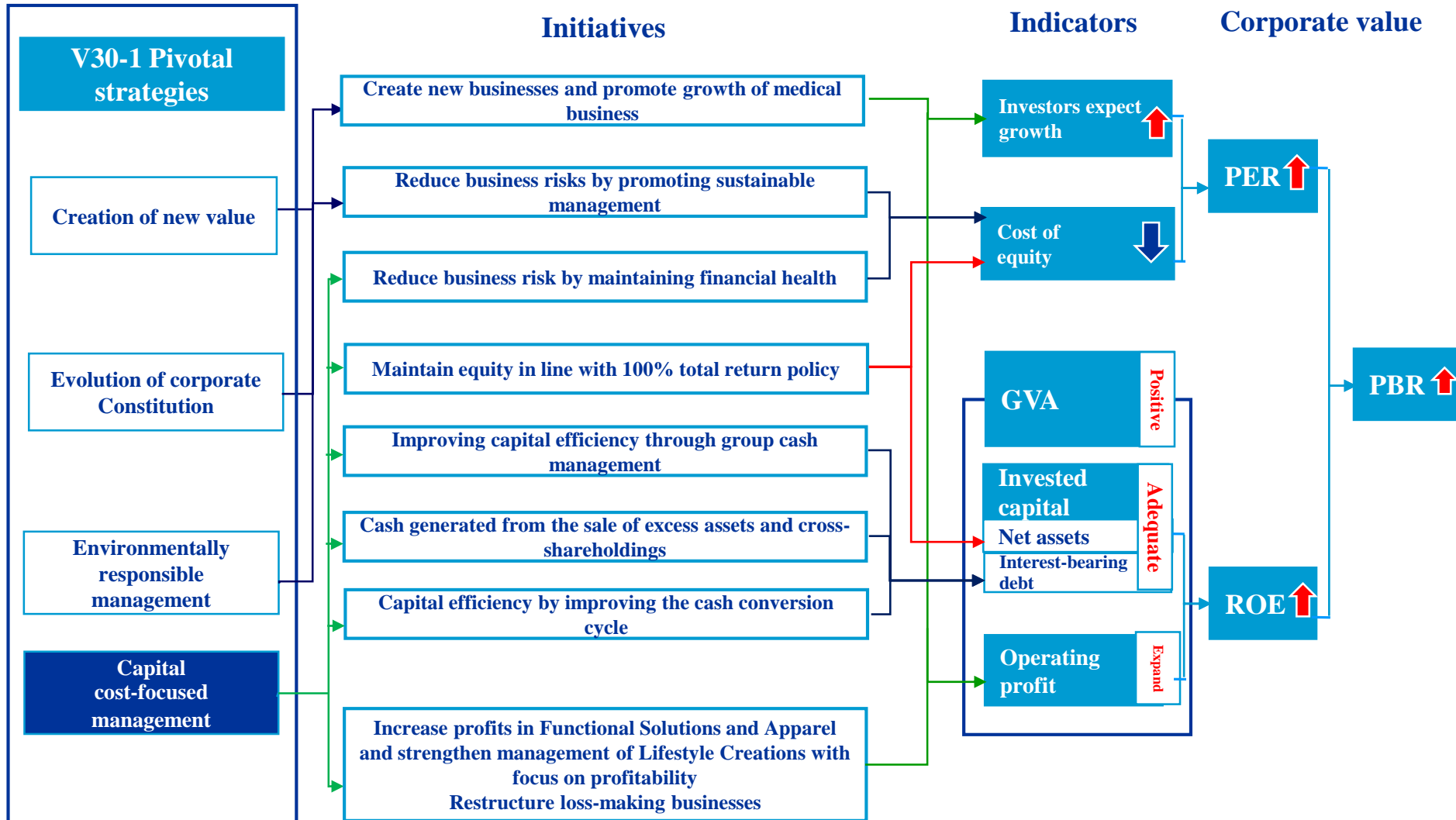
Operating profit
¥10 billion

Pursue growth in GVA and achieve more efficient profit growth
In addition, earn stakeholder trust through proactive dialogue on appropriate disclosure and create shareholder value with a PBR greater than 1.

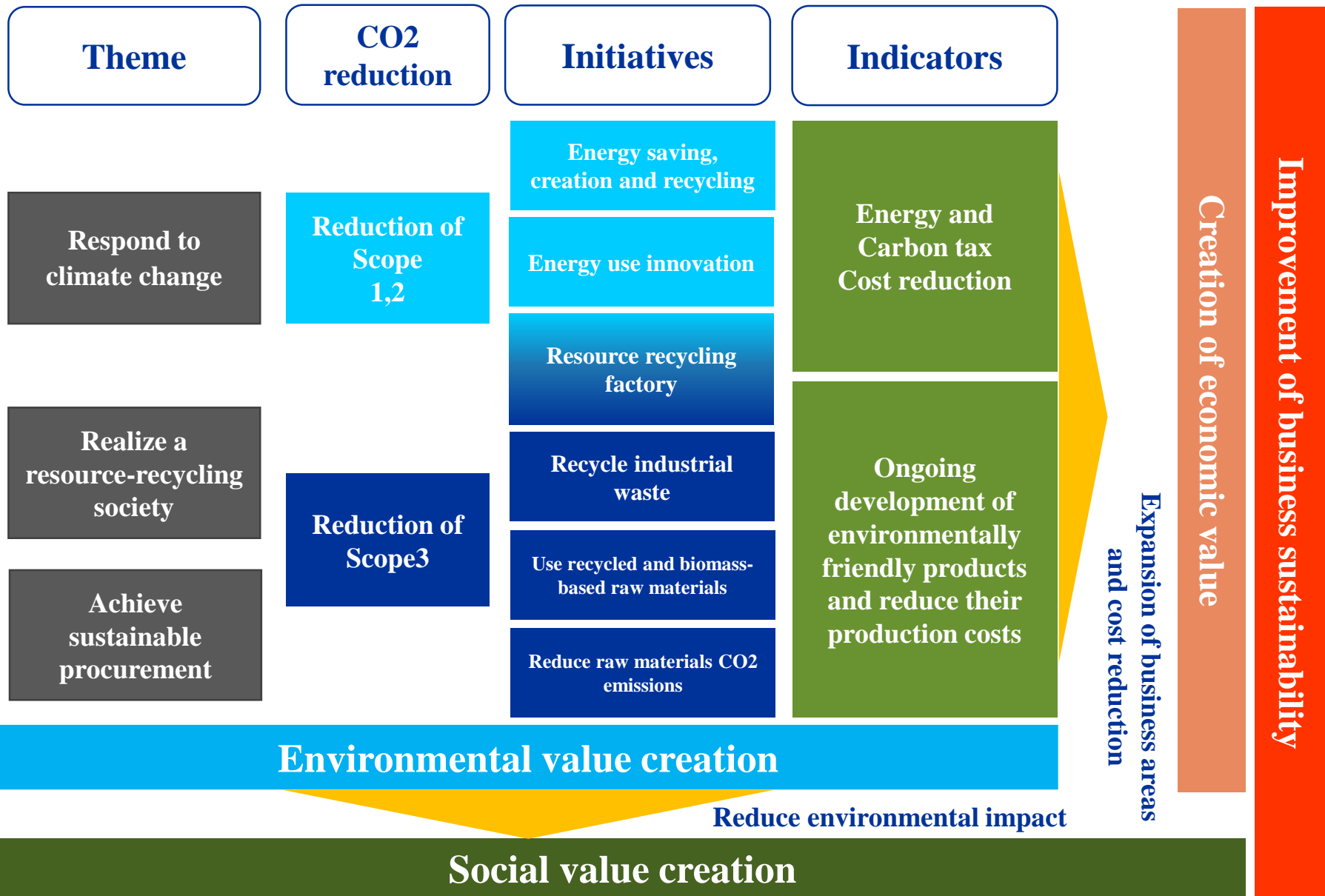
GVA
Company-wide positive

*GVA = Gunze value added

II-3. Action to implement management that is conscious of cost of capital and stock price

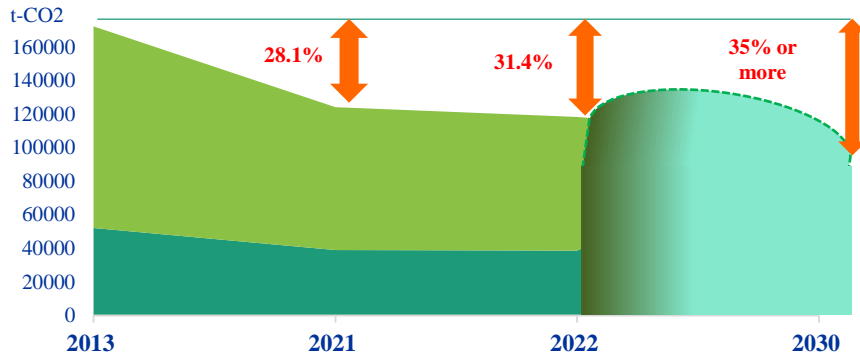


III-1 Initiatives to reduce environmental impact



III-2 Initiatives to reduce environmental impact

1. Scope 1 and 2 reduction targets and plans



Method	Measures
Energy saving	Updating equipment to increase energy efficiency
Energy creation	Expanding solar energy use
Energy recycling	Using renewable energy sources

CO2 emissions expected to continue to increase as business expands

- Increased use of renewable energy
 - Strengthening of existing infrastructure
- Aim to reduce emissions by 35% or more in FY2030 by leveraging future energy innovations

2. Scope3 emissions

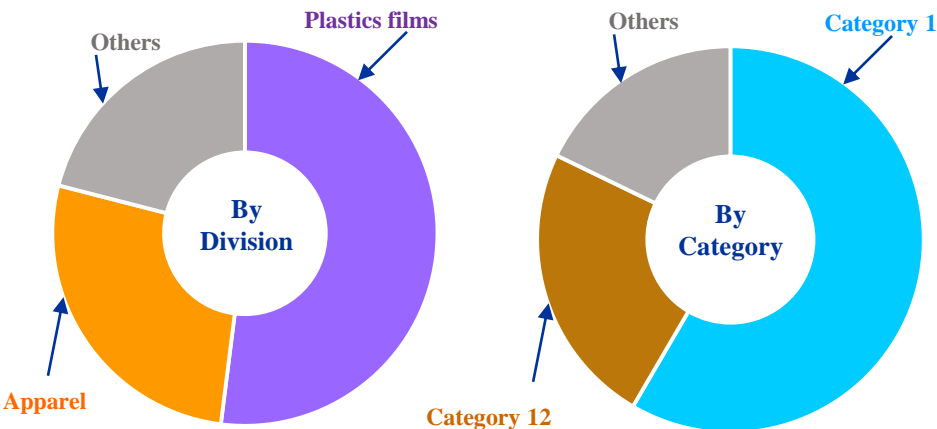
	FY2022	FY2021	Ratio to FY2021	
	Emissions (t-CO2)	Emissions (t-CO2)	Reduction (t-CO2)	%
Results	423,860	410,668	(13,192)	(3%)

The increase in the previous year was due to an increase in category 2 (Capital goods)

- Resource recycling plant in Plastics Company
- New ZEB-certified office building in Engineering Plastics Division
- Redevelopment of Tsukashin by Gunze Development

One-year impact of capital expenditures

- Focus on Plastics and Apparel companies to reduce categories 1 and 12
- Focus on resource recycling and sustainable procurement from a company-wide perspective



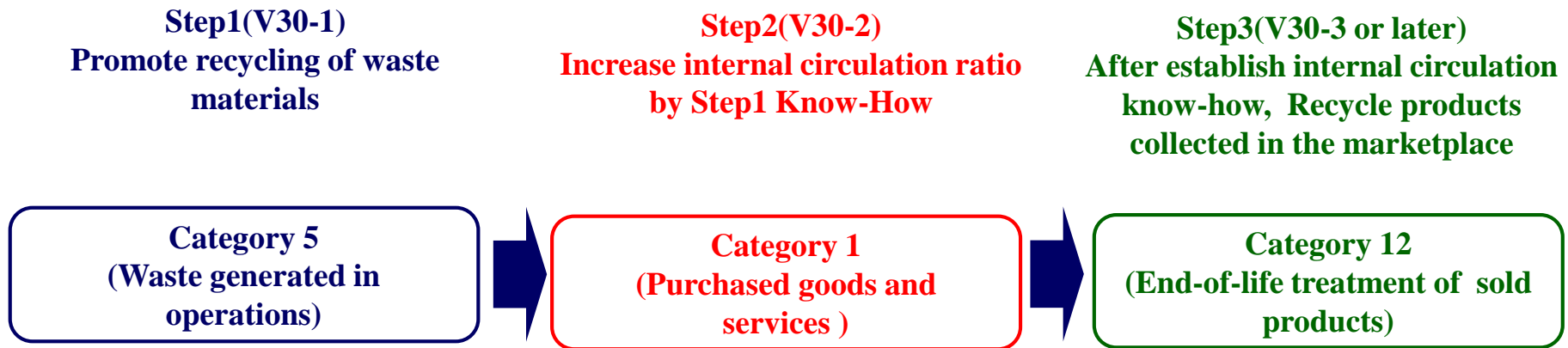
2022 emissions weighting

III-3 Initiatives to reduce environmental impact Reducing CO2 emissions

3. Achieve a resource-recycling society (Scope 3 reduction)

Create a roadmap for setting Scope 3 reduction KPIs

First, the company is working to reduce category 5 as a measure to reduce categories 1 and 12, which account for about 80% of the total.



KPI

- Final waste disposal rate
- Sustainable raw material usage rate

**still under consideration*

III-4 Initiatives to reduce environmental impact

4. First half initiatives driven

Respond to climate change

- Reduce by visualizing energy loss with Energy Management System
- Energy savings due to high thermal insulation and airtightness of the building.
(ZEB certification, CASBEE certification): Konan Plant, Moriyama Plant



“ZEB” certified Konan Plant office

Achieve sustainable procurement

Initiatives in each business unit

Use of recycled raw materials



Apparel
Boxer pants made from 60% recycled nylon



Threads and Accessories
Sewing threads made from 100% recycled polyester comes from PET bottles

Use of biomass raw materials



Apparel
Pantyhose made from 25% biomass polyurethane



Apparel
Packages made from 10% Biomass

III-5 Initiatives to reduce environmental impact

Engineering Plastics Investment in expansion of key plant to support growth



Konan Plant (Konan City, Aichi)



Total investment: Approx. 5.7 billion JPY

Construction schedule: Start of construction to start in February 2024, Start of operation in May 2025

Expansion details: Strive to reduce CO2 emissions by adopting exterior with high insulation, high efficiency lighting & air conditioning and solar power generation

***Aim for a Comprehensive Assessment System for Built Environment Efficiency (CASBEE) certification of B+ or higher**



Responding to increased customer growing demand in the medical device and semiconductor markets

III-6 Initiatives to reduce environmental impact

Medical Construction of new plants and expansion of R&D facilities to support growth and expansion



Ayabe Plant (Ayabe City, Kyoto)

Total investment: Approx. 1.8 billion JPY (including new R&D facilities)

Construction schedule: Start of construction in March 2024, completion of construction in February 2025

Construction details: Strive to reduce CO2 emissions by adopting high efficiency air conditioning and solar power generation

***Aim for a Comprehensive Assessment System for Built Environment Efficiency (CASBEE) certification of B+ or higher**



New plant: To increase production of TENALEAF™, an absorbable adhesive barrier sheet used in surgery, and to ensure the efficient production system.

New R&D facilities: Strengthen next-generation product development capabilities and drive efficient mass production

GUNZE

Comfort Solutions for Life

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.